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NEWS SUMMARY

GENERAL BUSINESS

Soviet warships sail to Africa

The Soviet Union has sent warships to Mozambique and promised to aid the country if it is threatened by South Africa. The move follows the South African commando raid last month on houses in Maputo, the Mozambique capital. Two Soviet warships have arrived at the ports of Beira and Maputo, and further ships are on their way. Page 2

Brezhnev speech

Western observers will be studying a major speech today by Soviet President Leonid Brezhnev to be made at the country's 28th Communist Party Congress - for signs of a tougher foreign policy. Back Page

Saving record

National Savings net intake was a record £431.3m in January. The Government is on course to raise £2bn from the personal sector in the year to April 5. Back Page

Steel proposals

A clampdown on state aids to EEC steelmakers and a relaxation of competition rules to promote more mergers are proposed in two European Commission reports. Back Page and Lombard, Page 12

Envoy tipped

John Jeffrey Lewis, a Johnson's Wax director, who has contributed heavily to Republican Party funds, has been tipped as the next U.S. Ambassador to Britain. Back Page

Rescue battle

A man drowned and six others - including the crew of a lifeboat which capsized - survived after a small fishing boat overturned off Tynemouth. Back Page

TV composer dies

Ron Grainer, who composed the Maigret, Steptoe and Son and Dr. Who television themes, died aged 57. Back Page

Threat from Peru

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Grocery prices

The Financial Times grocery prices index rose marginally this month due to small increases in the cost of most foods. Page 6

U.S. jets likely

Britain is moving closer to a decision to buy up to 100 advanced versions of the Harrier jump jet fighter, worth about £1.2bn, from the U.S. rather than develop a new version of the UK aircraft. Page 4

Clare challenge

Channel Island-based executors of the estate of the late Sir Charles Clare are challenging the right of English courts to hear a tax claim against the estate. Page 6

Sotelo confident

Leopoldo Salvo Sotelo expects to win today's confidence vote in Spain's Parliament and to form a Government on Wednesday. Page 2

Golfer's triumph

Britain's Peter Toplin set a world record tournament aggregate by winning the \$80,000 Nigerian Open in 255 (63, 66, 62, 64) at par-71 Inoyl. Back Page

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F. W. Woolworth is to open opticians' units at two stores next month. Page 6
A BOMB placed in the basement of the U.S.-financed Radio Free Europe in Munich injured eight.

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Government let the miners win to avoid possibility of defeat

By MARGARET VAN HATTEM, LOBBY STAFF

MR. JOHN BIFFEN, the Trade Secretary, admitted yesterday that the Government gave in to the miners last week because it believed the alternative was defeat. Mr. Biffen, who is regarded as one of the more hardline monetarists in the Cabinet, defended the Government's retreat, arguing that Government rhetoric sometimes bore little relation to the gradualist and pragmatic policies being pursued. He was speaking on ITV's Weekend World programme. "If this last week has been something of a watershed in the life of this Parliament," he said, "then perhaps for the second half of this Parliament there will be a much more ready recognition that the Government is pursuing a gradualist and sensible and a practical policy, rather than a hard line theological policy." The gap between Government policy and rhetoric has been identified before by some of the so-called "Cabinet wets" but Mr. Biffen's comments are regarded as having more weight, partly because of this previous support for much of the Prime Minister's rhetoric, and partly because Mrs. Thatcher herself suggested that he, rather than another minister, should appear on the programme. In that sense, it is suggested, he may have been speaking for her. PAGE ONE— This week the Government will be involved in a crucial tripartite meeting with the miners and the National Coal Board on the subject of pit closures, cash limits and coal imports. The results of the wester workers' ballot on industrial action will also be seen as an important test of the Government's ability to stand up to public sector unions. Mr. Biffen conceded that the Government's retreat had been "acutely embarrassing" but defended it as a wise response to a situation in which there would have been either no victory, or a victory for the miners. "I did not come into politics to be a kamikaze pilot," he said. "What we have seen demonstrated over the past week is the capacity of certain sections of organised labour to exercise an extra-Parliamentary authority which is almost unparalleled. There are a limited number of people in key areas of the economy, vital minorities who can exercise this strong impact." Faced with the spectre of massive industrial action, the Government had been wise not to test its authority in this area. Mr. Biffen admitted that other groups of workers might be influenced by the Government's handling of the miners and hinted that further changes were needed in industrial relations legislation. The modesty of the changes attempted so far was underlined by the events of the past week. Later another of the Cabinet's hardline monetarists, this time Sir Keith Joseph, the Industry Secretary, defended the Government's failure to carry out its policy of non-intervention. Commenting on BBC radio on the massive cash handouts given to British Lloyds and now in prospect for British Steel and the National Coal Board, he said the Government had not expected 100 per cent success. Having identified the problem of loss-making nationalised industries, the Government and the taxpayer had to accept responsibility for them until they either became profitable or could be sold. Asked whether he was as "depressed, disillusioned and disappointed" as he was reported to be, Sir Keith said: "Manufacturing industry is going through an acutely difficult period—anyone who sees the pressures on industry cannot be happy."

Imports of coal threat to pit peace

By Hazel Duffy and Christian Tyler

THE two biggest customers of coal, the State power and steel industries, are threatening to rekindle the miners' rebellion by refusing to co-operate with the Government's plan for cutting coal imports. All miners on strike last week are expected to be back at work this morning following the Government's promise last week of action on imports and "movement" on the National Coal Board's finances. To deal with the politically sensitive imports question, which miners' leaders saw as second only in importance to the now-withdrawn list of pit closures, the Government is expected on Wednesday to offer the NCB a subsidy to match the price of imports, mainly from Australia, the U.S. and Poland. Officials of the National Union of Mineworkers said yesterday they wanted the imports to be brought down to an "irreducible minimum." This means in practice about 1m tonnes needed for blending with domestic coal. Imports have been running at 5m tonnes in this financial year and were expected to fall to about 5.5m tonnes in 1981-82. The British Steel Corporation, which is the second biggest customer of the NCB, expects to import 2.3m tonnes of coal in 1981-82 and consume 4.5m tonnes supplied by the NCB. The Corporation maintains that it must import some of its coking coal in order to get the desired quality, particularly if it is to obtain the efficiencies from its newer large blast furnaces. The Corporation admits, however, that price has become an increasingly important factor in its decision to import coal, mainly from the U.S. and Poland. Last summer, it became involved in a public row with the NCB about prices, threatening at one point to import all its coking coal requirements. Agreement was reached in September 1980, however, for BSC to buy 4.5m tonnes from the NCB at prices which involved an NCB subsidy of more than £40m. The Central Electricity Generating Board, meanwhile, has said it will oppose any attempts to get it to renegotiate some import contracts. Under an arrangement made two years ago, the CEGB buys 75m tonnes of NCB coal a year. It expects to import about 2m tonnes in 1981-82, mostly from the U.S. and Australia. There were still rumblings from the miners yesterday as their officials prepared for a

Howe curbed by Treasury gloom as Budget nears

By PETER RIDDELL, ECONOMICS CORRESPONDENT

A GLOOMY new Treasury view of the economic and financial outlook over the next year has further restricted the freedom of manoeuvre of Sir Geoffrey Howe, the Chancellor, in framing his Budget to be disclosed two weeks from tomorrow. Most significantly, public sector borrowing in the 1981-82 financial year looks likely to be substantially higher than expected when the initial pre-Budget assessment was made early in January. It therefore looks increasingly unlikely that there will be any large-scale or across-the-board tax cuts for industry, although a small reduction in the employers' national insurance surcharge is possible in the autumn. The tax burden on wage-earners is certain to rise further. Sir Geoffrey apparently believes that borrowing should be reduced below this level, partly to provide the pretext for cutting M.L.R.

Influence

The main priority is a large reduction in Minimum Lending Rate—possibly of two or three points from the present 14 per cent—both to reduce the financial squeeze on industry and to lower the sterling exchange rate. The impact of the strong pound on the economy has clearly emerged as the major concern of policymakers. A significant new factor has been the intervention of Professor Alan Walters, the Prime Minister's personal economic adviser, who has argued that an excessively strict monetary policy in the UK has pushed up the pound. The discussions have been influenced by a controversial special report pointing to this conclusion from Professor Jurg Niehaus of Berne University.

The main constraint on tax changes is the level of public sector borrowing. The initial Treasury forecasts at the beginning of this year suggested that borrowing might be around £10.5bn in 1981-82 on the basis of existing policies. That is after taking account of the £2bn tax increases announced last November and is on the working assumption that income tax thresholds and indirect tax duties are raised in line with inflation.

The latest Treasury assessment—and new projections have been produced almost weekly—is that borrowing is likely to be well over £11bn in 1981-82, and possibly about £12bn. This increase is partly because of the extra amounts granted to various parts of the public sector, notably B.L. with further large sums sought by British Steel. The extra money going to the National Coal Board in 1981-82 as a result of last week's concessions will not on its own alter the Budget decision but will further complicate the Chancellor's problems. In addition, borrowing will be boosted because the recession now looks likely to be even deeper than previously expected, although officials still hope a recovery will have started by the middle of this year. The pre-Budget discussions have involved a review of the medium-term financial strategy and of monetary policy, in the light of both the substantial overrun of last year and the increased emphasis on the exchange rate. Sterling M3, the broadly-defined money supply, is now widely seen as a flawed indicator of short-term trends but it is likely to be retained as the main target on a two-to-three year view. However, a more formal emphasis than before is likely to be placed on a series of other monetary measures in fixing short-term interest rates.

Positive

There is unlikely to be an exchange-rate target as such in the immediate future but the level of sterling in relation to domestic monetary conditions is now likely to be taken account of in M.L.R. decisions. A more positive view is now being taken in London about the possible linking of sterling to other EEC currencies in the European Monetary System. This link is particularly favoured by some Bank of England officials. While a move is not imminent, the E.M.S. question is now on the horizon rather than being beyond it.

The related issues of monetary controls are still being fiercely debated in the Bank and the Treasury with Professor Walters adding his voice in favour of a more direct control on the resources available to the banks through a monetary base system. Record rise in National Savings, Back Page. Tax relief likely, Page 5.

U.S. and Bonn face clash over defence spending

By ROGER BOYES IN BONN

WASHINGTON and Bonn appear to be heading for a new row over Europe's defence spending share within the NATO alliance. Mr. Frank Carlucci, deputy U.S. Defence Secretary, gave the Reagan Administration view at the weekend. The U.S. was not prepared to update and strengthen its forces in Europe, unless other allies boosted their defence efforts, he told a military conference in Munich. Mr. Carlucci seemed to be aiming many of his criticisms at West Germany, which has planned a slight drop in defence spending for 1982, even before inflation is taken into account. Herr Hans Apel, German Defence Minister, defended Bonn's defence contribution in the past ten years, but said Germany was facing serious financial problems. Some German

politicians were yesterday interpreting Mr. Carlucci's criticisms as a policy statement. They were convinced that his speech heralded a fresh confrontation between Washington and Europe. Mr. Carlucci gave three fundamental messages to the European allies in his Munich speech. He said the allies should maintain the political conditions and the public support necessary for modernisation of long range weapons. This was a reference to disarmament in West and out of the parliaments of West Germany, Holland and Belgium with the slow progress of arms control talks with Moscow. The Left wing of West Germany's ruling Social Democratic Party (SPD) is stressing that such talks are a precondition for the stationing of new U.S. nuclear weapons in Europe. Mr. Carlucci told the Europeans that they would have to play a more active role in maintaining the security of the Gulf, though he conceded that this would have to be done on a bilateral basis. NATO would remain essentially a vehicle for European and Atlantic defence. Mr. Geoffrey Patle, Under-Secretary of State for Defence, supported this point, adding that under certain circumstances a peacetime deployment force could be used outside NATO boundaries. British lobbying among NATO countries for a wider, more active response to Soviet activities is likely to be intensified when the Prime Minister meets President Reagan in Washington later this week. An indication of Mrs. Thatcher's line came at a military conference in Munich yesterday. Continued on Back Page

Germany wins big Libya orders

By ROGER BOYES IN BONN

WEST GERMAN and Austrian companies have won orders worth several billion Deutsche Marks for the construction of two electro-steel works in Libya. The deals are among the most valuable clinched by West Germany in the Arab world and will come as a boost to other German companies which had been worried about the slow progress of infrastructural investment by oil producers. The West German Krupp steel and engineering group said yesterday it is to lead a consortium to build one of the steel works at a cost of about £1.5bn (£295.8m). The works, at the coastal town of Misurata, will be a turnkey project, involving the construction, delivery and electrical installation of plant as well as personnel training. Steel slabs will be produced, which will then go to refining

and plating processes elsewhere in the town's integrated steel complex. A second electro-steel works—specialising in producing steel blooms and billets—has been won by a separate consortium, led by Korf Engineering of Dusseldorf and by Voest Alpine of Austria. Although no immediate figure was placed on this deal, industrial sources estimated that the order—along with an electrical installation contract shared between Korf and Siemens—would be well in excess of DM 1bn. Clearly the two consortiums have maintained steady links in the lengthy negotiation period. The Krupp consortium includes Voest Alpine, while the Korf-Voest consortium will be supplying processes jointly developed by Krupp and Voest. The Krupp consortium also includes Mannesmann Anlagenbau of Dusseldorf, BBC of Mannheim and Thosil Bau AG of Augsburg. The last company will be responsible for construction at the steel works, which will have a production capacity of about 600,000 tonnes of steel slab a year. The project should be completed in four to five years. Libya, which is rapidly expanding its industrial bases, is proving a good market for German companies. Several other steel-related contracts are still under negotiation and under the West German plan construction capacity, recently won a DAX 200m order for the design and construction of a urea fertilizer plant. German companies appear to have been aided by the weakness of the Deutsche Mark against other major trading currencies, which has given them a new-found competitive edge in a particularly tough market.

Banco de Bilbao bid for Grindlays fails

By MICHAEL LAFFERTY, BANKING CORRESPONDENT

A PLAN by which Banco de Bilbao, one of the largest commercial banks in Spain, was to acquire Citibank's 49 per cent stake in Grindlays Bank, of London, has failed. Talks were ended toward the end of last year because Bilbao was unable to reach agreement about Grindlays' future with Lloyds Bank. Lloyds owns 41 per cent in Grindlays Holdings, a quoted company which in turn holds the 51 per cent of Grindlays Bank. Grindlays' banking business includes branch banks in countries such as India and Sri Lanka, as well as a London Eurocurrency operation. Banco de Bilbao, one of the most European-minded of the big Spanish banks, first indicated its interest in buying into Grindlays last summer. Before an offer for the Citibank shares, it commissioned Arthur Andersen, the international accounting firm, to make an investigation into Grindlays. The report is thought to have been satisfactory. Banco de Bilbao then approached the board of Grindlays Bank where it appears to have had a very favourable response. One Grindlays Bank director said yesterday that Citibank made it clear about a year ago that it was not happy to continue as a minority shareholder in a bank where Lloyds Bank effectively had ultimate control. It offered either to sell its stake or buy out Lloyds. That followed a long period

of negotiation with Lloyds, but they could not agree on a value for the Grindlays Bank shares. At that point Citibank said it wanted to get on. The same director described the present shareholding position of the Grindlays group as "indiscernible." He expected Lloyds to put in a bid for complete control of the holding company and the bank. Sources in the bank confirm that Lloyds Bank is willing to buy out the Citibank stake. Another Lloyds official described the situation as "a stalemate which could go on for several years. Neither Lloyds nor Citibank can consolidate Grindlays into their own accounts. And neither has a complete voice in running the bank."

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OVERSEAS NEWS

GM may cut up to 10% of workforce

By IAN HARGREAVES IN NEW YORK

GENERAL MOTORS, which last year lost \$763m, more than in any other year in its history, appears to be on the verge of another major cost reduction exercise. Following a series of briefings in Detroit last week for hundreds of GM executives from around the world, white collar staff are bracing themselves for a cut in the salaried workforce of up to 10 per cent.

That would mean a reduction of almost 19,000 jobs worldwide and would save the company over \$550m a year by some estimates.

GM, in common with the other U.S. motor companies, has been working hard at reducing overheads during what has become the longest slump in the U.S. industry's history, but a 10 per cent cut announced last spring, has only been about half effective.

The company also announced recently that it would move to Detroit 700 of its 1,100 New York-based employees as a cost-saving measure, spurring rumours that the corporation is planning to sell its tall office building on the south-eastern corner of Central Park, one of the most valuable pieces of property in Manhattan and probably worth \$450m.

GM has denied the office building rumour and said of the discussions at last week's meeting, that no decision had been made about further cuts in the workforce. It is also working on the timing of its approach to the United Autoworkers Union to try to negotiate down, or away entirely, bonuses due to manual workers from their cost of living indexed three-year pay contract between now and mid-1982.

Hourly rate labour costs for GM in the U.S. rose last year by 21 per cent, a rate of increase which the management says it cannot sustain in such troubled times. The contract was negotiated in the middle of the boom year of 1979.

In return for a re-opening of contract talks, GM leaders have spoken of the possibility of profit-sharing schemes for manual workers.

Vote of confidence for Portugal's Prime Minister

By DIANA SMITH IN LISBON

SR. FRANCISCO BALSEMAO, Portugal's prime minister, received a reasonably comfortable vote of confidence from his Social Democrat Party (PSD), in yesterday's elections for the National Council.

Sr. Balsemao had presented his own list of candidates for the council including the party's most prominent personalities, and excluding some hard liners.

The hard liners, led by Sr. Eurico de Melo, and Sr. Anibal Cavaco Silva, and all former

members of the Government, presented an opposition list.

Sr. Balsemao's list got 20 of the 30 seats on the National Council. Two Government Ministers, including Sr. Alvaro Barreto, who is responsible for taking forward Portugal's European Community negotiations, are on it.

It is considered that, although the Right-wingers and those opposed to the President received a substantial number of votes, Sr. Balsemao's power base is now comfortably assured.

Peru warning to Ecuador

LIMA—Peru has said it will attack Ecuador if the Quito Government continues to infiltrate troops across their border in the remote Condor mountains, scene of renewed fighting over the past two days.

Peru issued a communique at the weekend describing the Ecuadorian occupation of three border posts as "acts of war." It said the positions inside Peruvian territory had been retaken.

The communique said Ecuador had moved its troops across the frontier after a ceasefire which took effect on February 2, and had ignored a warning to pull back its troops.

In Quito, Ecuador said it was considering breaking diplomatic relations with Peru.

The guarantor nations of a 1942 treaty defining the frontier—the U.S., Chile, Argentina and Brazil—met urgently in Lima to study the Peruvian statement.

Spain PM confident of victory this week

By Robert Graham in Madrid

SPAIN IS expected to have a new government by Wednesday, headed by Sr. Leopoldo Calvo Sotelo, outgoing Deputy Premier for Economic Affairs.

His associates say he fully expects to pass the second round confidence vote in Parliament this afternoon.

On Friday, Sr. Calvo Sotelo fell seven votes short of obtaining the 176 vote overall majority necessary for a first round vote of confidence on his government programme. Under the constitution, he can seek a second vote and only needs a simple majority.

Unless the voting pattern changes, he is bound to be endorsed, having won the full backing of his Union de Centro Democrático (UCD) 166 deputies plus four independents.

There were 158 votes against, principally from the Socialists, Communists, Basque nationalists and members of the right-wing Coalition Democrática. There were 19 abstentions by the Catalan and Andalusian nationalists and six absentees.

During the two days' debate on Sr. Calvo Sotelo's programme, the doubts raised concerned much more the ability of the UCD than the ability of the Premier-designate.

Sr. Calvo Sotelo gave equivocal replies to questions on topics such as divorce, which are controversial within his party. However, he emerged from the debate, which he handled with agility and panache, with his reputation enhanced.

He wants to act quickly to stem a sense of drift within the UCD and in the country as a whole, created by the sudden resignation three weeks ago of Sr. Adolfo Suarez, as Prime Minister.

He has to deal with a serious resurgence of activity by ETA, the militant Basque separatist organisation. On Friday, ETA's political wing which has been silent recently, claimed responsibility for kidnapping three honorary consuls.

This act seemed designed to gain publicity and propaganda at a time when ETA's hard-line military faction has been reorganising support, following the death in police custody of Sr. Jose Arregui, one of its members.

However, the Government also faces a revolt by senior police officials, especially those dealing with terrorism. They have been angered by what they regard as a wave of anti-police feeling in the wake of Sr. Arregui's death.

Soviet Union sends warships to Mozambique

By QUENTIN PEEL IN JOHANNESBURG

THE SOVIET UNION has sent warships to Mozambique and promised to aid that country if it is threatened by South Africa. The move follows last month's South African commando raid on houses in a suburb of Maputo, the Mozambique capital.

The warning was given at the weekend by Mr. Valentin Vdovin, the Soviet Ambassador to Mozambique, who confirmed that two Soviet warships had arrived at the ports of Beira and Maputo and further ships were on their way.

It constitutes the most dramatic reaction so far to the South African raid, in which 10 members of the exiled African

National Congress (ANC) and two South African soldiers were killed, and follows claims by both Mozambique and South Africa of a build-up of military forces and hardware on either side of the border.

Mr. Vdovin told reporters in Maputo that a friendship and co-operation treaty had been in existence between his country and Mozambique since 1977.

"We are not threatening anyone but if anyone attacks us or our friends we will give an appropriate response," he said. The treaty included co-operation in military matters aimed at strengthening Mozambique's ability to defend itself, he said.

The presence of the Soviet

warships was dismissed by South African military officials as a morale booster for the Mozambique government after the raid than a serious threat to South Africa.

But General Magnus Malen, the South African Minister of Defence and former chief of the South African Defence Force, warned last week that the Soviet Union was planning a "second front" against South Africa in Mozambique in addition to the guerrilla war being waged on the border of Angola and South African-ruled Namibia (South West Africa).

He claimed there were 250 Soviet tanks, 400 armoured

cars, an unspecified number of MIG-21 fighter aircraft, and a sophisticated system of anti-aircraft missiles in Mozambique.

Hitherto, South Africa and Mozambique have managed to coexist pragmatically, in spite of their opposing ideologies. South Africa is Mozambique's largest source of non-oil imports, while Maputo is an important port for South African exports. Mozambique also provides South Africa with hydro-electric power from the Cahora Bassa scheme.

However, the South African raid on what it claimed were ANC guerrilla hide-outs in Mozambique has certainly raised the rhetorical temperature.

In another report at the weekend, the Portuguese news agency ANGOP suggested that MIG-21 aircraft stationed at Beira in central Mozambique might be moved south to Napito to counter any South African raids.

Meanwhile, the South African Defence Force has denied a report from Angola, by the Yugoslav news agency Tanjug, that South African troops had destroyed an important railway bridge near the town of Bala, some 150 miles inside the country. The area is one where South Africa claims the disident Unita guerrilla movement is active.

MPs attack growing censorship in Iran

By TERRY POVEY IN TEHRAN

FOUR IRANIAN parliamentarians representing Tehran constituencies, including Mehdi Bazargan, former Iranian Prime Minister, have called for a mass rally next Thursday to publicise their belief that increased censorship by the authorities is effectively silencing the country's political opposition.

Mr. Bazargan was Prime Minister in the provisional government that ruled from the revolution in February 1979 to the seizure of the U.S. embassy in November of the same year. He and three other prominent deputies will address a mass rally at Tehran's university.

As deputies, we are compelled to give our views on the problems facing the country but, due to restrictions on us in the Parliament and the mass media, this is not possible," they said in explaining the need for a rally.

The deputies, all of whom

held ministerial positions during Mr. Bazargan's premiership, are associated with the Iran Liberation Movement (ILM), a political grouping founded in the early 1960s by Mr. Bazargan and the late Ayatollah Taleghani.

The ILM yesterday published a strongly-worded open letter throwing its weight behind Ahmad Khomeini, the son of Iran's revolutionary leader, who last week protested strongly at the recent physical attack on Ayatollah Lahuoti, a clerical moderate.

Ayatollah Lahuoti said at the weekend: "I demand that the authorities arrest those who led the attack and that they do not cover up this matter as they have done other things."

Reacting to this sort of criticism of the authorities in the last few days, the fundamentalist Islamic Republican party is using the occasion of its second anniversary to launch

a series of articles and speeches aimed at defending its central role in Iran and at reasserting itself as the party with the backing of Ayatollah Khomeini.

Ayatollah Mohammad Beheshti, the party general secretary, said on Saturday that since its very birth, the IRP had been under attack by "the U.S. and the oppressors" as well as by "eclectics and leftists."

Another party leader, Hojatoleslam Hashemi Rafsanjani, who is also the Speaker of the Parliament, said yesterday that the party had been formed with the approval of Ayatollah Khomeini because "we realised from the very beginning the importance of organisation."

In the course of two years, the failure to have their candidate elected President, "due to a small error in our choice of candidate," was the only reverse mentioned in Mr. Rafsanjani's

catalogue of successful activities by the party.

Observers see the remarks of both Dr. Beheshti and Mr. Rafsanjani as part of the continuing debate concerning the record of the Islamic republic from the revolution through to its second anniversary celebrated recently. Those supporting President Abolhasan Bahr

Sadr and groups such as the ILM tend to paint a dismal picture of growing chaos accompanied by the threat of a new dictatorship. Their fundamentalist opponents, led by the IRP, speak of glowing successes in such things as the formation of new institutions, the Construction Crusade and the revolutionary organisations in general.

● In the past 48 hours two bombs have exploded in Tehran. The first, at a cinema, killed 15 people and injured 15 in the explosions for which no group has yet claimed any responsibility.

On Saturday also, seven Revolutionary Guards were killed in an ambush by smugglers in the south-eastern province of Baluchistan, the state radio reported.



Mr. Bazargan... call for mass protest rally

No U.S. plan for Palestine talks

WASHINGTON—The Reagan Administration has told Israel it has no immediate plans to revive the Palestinian autonomy talks.

Mr. Alexander Haig, the U.S. Secretary of State, told reporters yesterday after conferring with Mr. Yitzhak Shamir, the Israeli Foreign Minister, that more preparatory discussions were needed before the month-old Republican Administration could proceed with U.S. mediation efforts.

The Secretary of State would not predict when the talks, aimed at granting autonomy to Palestinians living in the Israeli-occupied West Bank and Gaza

Strip, would be resumed. He said he and Mr. Shamir considered having further meetings but nothing firm had been decided.

Mr. Haig said the U.S. had every intention of pushing on with the Middle East peace-making process, which he described as vitally important.

At the same time, a Reagan aide, told Congress that it might be possible for the U.S. to supply extra equipment for Saudi Arabia's 80 American-built F-15 fighter aircraft without endangering Israel's security.

Israel has fiercely opposed such a move, saying the aircraft could be used in an attack on

its territory. Mr. Haig said he and Mr. Shamir discussed the issue at length, adding: "Clearly there are differences... we hope to work them out."

Mr. Shamir has told Congress that Israel wants the autonomy talks to resume soon. He said that if the U.S. did not move, the stage would be left to others, a reference to West European peace-making efforts.

Mr. Haig was careful neither to criticise nor encourage the European initiative, saying: "We would hope that anything our European partners would do with respect to the Middle East would be consistent with and reinforce the ongoing process."

—Reuters.

PLO team ordered to leave Sudan

KHARTOUM—Sudan yesterday ordered the Palestine Liberation Organisation (PLO) representative to leave the country within three hours, the Sudan News Agency reported.

Mr. Khalid Abdalla Ramadan, also known as Abubakar, was accused of hostility against the Sudan Government.

The agency said Sudan sent a message to the PLO headquarters in Beirut explaining why the four were being expelled and asking for their replacement. —Reuters

Liberals win Australian by-elections

By Colin Chapman in Sydney

MR. MALCOLM FRASER, the Australian Prime Minister, this weekend achieved a convincing political victory when the Liberal Party won three Federal by-elections, the most important of which was bitterly fought on the major issue of flat rate income tax.

The result of the seat of McPherson, in the rich Gold Coast area of Queensland, was a considerable rebuff to Mr. John Bjelke-Petersen, the State Premier, who had campaigned hard on the taxation issue and whose National Party had greatly outspent the Liberals in publicity that denigrated Mr. Fraser.

The spectacle of Mr. Fraser and Mr. Bjelke-Petersen publicly going for each other's throats during the campaign opened up the dispute between Mr. Fraser, and Mr. Doug Anthony, his deputy Prime Minister, and leader of the Country Party, the Federal affiliate of the Queensland National Party.

Mr. Anthony proposed that everyone in Australia would be taxed a flat 20 per cent, with all thresholds, including those for the low paid abolished, and all concessional deductions removed.

Mr. Fraser repeatedly pointed out that the cost would be so great that indirect taxes would have to be raised by such an extent as to be highly inflationary. The only alternative was politically unacceptable public spending cuts.

Mr. Anthony, and to some degree, the Queensland Nationalists, refined and moderated their proposal to a 25 per cent tax rate, with the deputy Prime Minister repeatedly saying that flat rate taxation was "the best proposal that has been put forward" for reforming the present unsatisfactory system.

The Australian Labor Party, which seems to have been on the outskirts of this campaign, drew its major blood by saying that flat rate tax was like the flat earth syndrome.

With the election over, and Mr. Fraser's authority restored, the issue is unlikely to go away when Canberra returns from the summer recess tomorrow.

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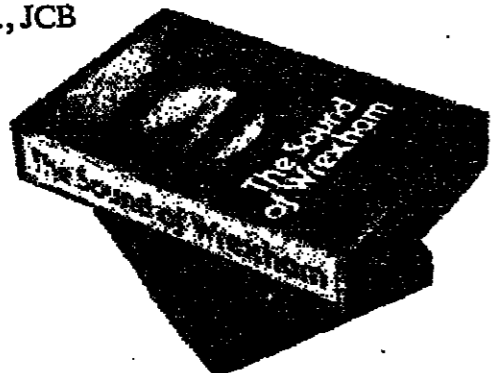
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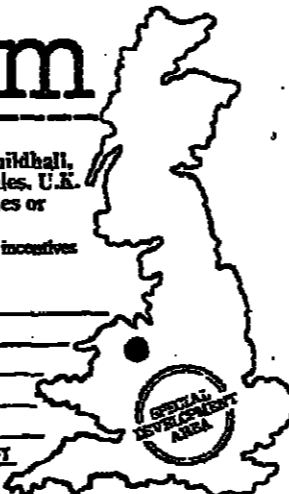


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Nigeria hesitates on plans for £5.3bn Bonny LNG plant

BY MARK WEBSTER IN LAGOS

THE NIGERIAN Government is reconsidering plans to build one of the world's largest liquefied natural gas (LNG) plants, according to officials in Lagos. The multi-billion dollar Bonny LNG plant should have come on stream by the mid-80s, but it has been held up by doubts within the Government over its long-term profitability and how it would be financed.

Government hesitation prevented the signing last December of preliminary contracts with the eight European companies which were to purchase half the plant's output. Negotiations are still going on with the U.S. about buying the rest of the gas, officials said.

The junior partners in the scheme, which include BP and Shell of the UK, say the profitability of the plant would be guaranteed by the 20-year supply contracts, which gas purchasers would sign. They are also confident that if the U.S. decided not to buy, Nigerian

gas, European consumers could absorb the full output. Opponents of the Bonny scheme in Nigeria argue that, if the junior partners are so keen to see it go ahead, they should provide more of the estimated \$12bn (£5.3bn) capital costs than they would under the present arrangements.

The Nigerian Government holds a 60 per cent share in the Bonny LNG company. An estimated \$7bn needs to be found for the initial investment in the processing plant, gas pipelines and shipping. Shell and BP each have 10 per cent interest while Elf, AGIP and Phillips share the remaining 20 per cent.

What worries the oil companies is that escalating costs will make the plant prohibitively expensive if the work does not start by 1984, the date proposed by the Government. Government doubts of the LNG plant first became public when the fourth national

Taiwan fear of EEC clamp on footwear

By Robert King in Taipei

THE EEC may be preparing to place import restrictions on Taiwan-made footwear, which is at present subject to limits only in the UK through a gentlemen's agreement with the British Footwear Manufacturers' Association.

The European Confederation of the Footwear Industry is disturbed by a 37 per cent increase in shipments to West Germany, France, the UK, the Netherlands, Italy and Belgium last year.

Its secretary-general recently wrote a letter to the Taiwan Footwear Exporters' Association to express the "anxiety of our member confederations" at the increases.

The letter said the Confederation had already started to take "concrete steps" to severely restrict Taiwanese footwear imports to the EEC. Those steps are seen here as leading toward eventual imposition of quota restrictions.

According to an official of the Exporters' Association, Italy has been agitating for restrictions because it sees Taiwanese imports as affecting its own footwear industry.

Exporters' Association officials claim, however, that Taiwan's exports of low- and medium-priced items pose little threat to manufacturers abroad of higher quality and higher-priced shoes.

But value of the 1980 shipments, \$237m (£104m), was nearly double that of 1979 (\$126m), although it is unclear how much of this increase represents inflation rather than higher quantities.

The association said the European Confederation has asked for a schedule covering projected exports during 1980, and that it is now compiling data in an attempt to protect its current status.

Barriers in the EEC would put a sizeable dent in the footwear industry's growth rate, which last year registered 16 per cent in quantity and almost 50 per cent in value. Last year Taiwan's worldwide exports totalled 418m pairs with a value of more than \$1.4bn.

UK companies beat path to Riyadh

BY PAUL CHEESERIGHT

INCREASING numbers of British companies are seeking opportunities for business in Saudi Arabia, according to Mr. Barry Lello, director general of the Saudi-British Economic Co-operation Office in Riyadh.

The main drive on to the market is coming from the electrical, mechanical and engineering fields. There are also a greater number of consulting engineers seeking contracts in the area—and this is the sector where British companies have the best track record, noted Mr. Lello.

This interest in the market arises from two main factors. First there is the "need of companies to keep capital employed during the domestic recession. Second there is increasing awareness of the Saudi market's potential following the publication of the £100bn third development plan, which runs from 1980 to 1985.

But it has become abundantly clear both from Saudi Arabian Government pronouncements

and from repeated official urging in the UK that the best way to carve a profitable niche in the market is through co-operation with local business interests, and preferably through joint ventures.

"In almost all joint ventures, the Saudis want to see a capital stake, even if it is only 10 per cent. It is a demonstration of commitment," said Mr. Lello.

So far British companies are involved in about 120 joint ventures, but most are in the service industries. About 15 per cent are in manufacturing and "this is the area we need to look at for expansion," Mr. Lello said.

Once engaged with Saudi companies, British concerns in joint ventures for new manufacturing plants are in reach of a substantial range of incentives from bodies like the Saudi Industrial Development Fund, which in some cases will put up cash to meet half the costs of factory buildings.

At the same time joint ven-

tures can enjoy tax holidays, tariff exemptions on imported equipment, the provision of low cost fuel and the benefits of preference in government procurement.

But a licence is needed to establish a joint venture, and obtaining it can be a lengthy business. Applications are lodged at the Foreign Capital Investment Bureau of the Ministry of Industry and Electricity. Provisional registration has to be followed by the submission of a detailed feasibility study.

In the view of Mr. Peter Grey, general manager of Saudi Metal Industries, a joint venture in which GKN Reinforcements has a 40 per cent stake, a good feasibility study is, in any case, the secret of a successful joint venture.

"There is no shortage of businessmen (in Saudi Arabia) prepared to take on joint ventures if the feasibility study is done properly, and what is put out as the feasibility study

becomes the yardstick for the performance of that company," he said in the latest edition of British Business, the Department of Trade's weekly publication.

But, he warned, Saudi businessmen "will look for strong proof of at least a 15 per cent return on revenue." That is roughly the return they can receive from money placed on deposit in Bahrain.

"In most of the industrial joint ventures, the foreign partner provides the management and technical expertise," noted Dr. Solaiman Al Sulaim, the Saudi Arabian Minister of Commerce.

"In the final analysis, the Saudi market is a highly competitive one in which price and quality are predominant factors," he added. But it is also a comparatively small home market and, said British Business, "because of the high cost of labour, the re-export opportunities may be limited."

New refinery for Saudi Arabia

BY JAMAL RASHED IN YANBU

SAUDI ARABIA is planning a new oil refinery to be built at Yanbu, the new industrial city under development on the Red Sea coast.

The refinery—to produce lubricants—will be the fourth to be built at Yanbu and will be financed by the Petro-Arab Investment Corporation, together with OPEC funds, according to Dr. Yousif Alturki, the general director of the Yanbu project and a director of the

Royal Commission for Jubail and Yanbu.

Yanbu was originally conceived as a smaller development than the major industrial complex at Jubail, planned for the east coast. But the disclosure that a new refinery is to be set up indicates Saudi determination that Yanbu should be much more than a sideshow of Jubail.

This determination springs from official concern about the Iran-Iraq war and the growth

of tension in the Gulf. The additional possibilities of shipping out both crude oil and refined products well away from the Gulf has strategic significance for the West.

But, as one official noted, "the taps are still controlled in the eastern province." Oil is already beginning to flow from the east by pipeline.

The Yanbu master plan, drawn up in 1975, called for one refinery. This was later adjusted to three

Elf finds oil in China Sea

BY ROBERT MAUTHNER IN PARIS

ELF-AQUITAINE, the French, state-owned oil company, has announced that it has found "encouraging traces" of oil in the China Sea.

Elf said it had discovered the traces at a depth of 3,200 metres in an exploration well in the Gulf of Bohai, roughly on the same latitude as Peking. Final evaluation of the traces would be delayed until the well had been terminated.

The Elf-Aquitaine announcement followed hard on the heels of a similar statement by the French Total group, that it had found encouraging oil traces in

the Gulf of Beibu, south of Hong Kong.

The two French companies signed offshore oil exploration agreements with China in May, 1980. Under the so-called "shared risk" contracts, they are sharing the costs of exploration and the proceeds of eventual oil production with the Chinese state oil corporation.

Elf-Aquitaine's exploration permit covers an area of 9,200 square kilometres in the Gulf of Bohai, and the drilling is being carried out by a specially created subsidiary company, Elf-Aquitaine-China.

Japan deal on Gulf LPG

TOKYO—Seven Japanese trading companies and oil refiners have signed contracts with the Abu Dhabi National Oil Corporation (ADNOC) to import about 1.22m tonnes of liquefied petroleum gas (LPG).

An official of Idemitsu Kosan, a major oil refiner-distributor, said it was necessary to purchase more LPG to cope with a possible shortage.

The other six companies are Mitsui, Bridgestone, Liquefied Gas, Mitsubishi, C. Itoh, Maruzen Oil and Showa Oil. AP-DJ.

Concern at upsurge in bulk carrier orders

BY OUR SHIPPING CORRESPONDENT

THERE IS growing concern about the wisdom of the recent upsurge in orders for new bulk carriers. The world order book—597 ships totalling 32m dwt—is standing at its highest level since the mid-1970s, yet the medium-term outlook for some of the bulk trades, in particular steel, is far from rosy.

Dry cargo rates have been firm over the last 18 months, and there have been various encouraging forecasts about the level of steam coal movements over the next decade.

H. P. Drewry, for example, forecasts a doubling of shipments to 110m tonnes a year between now and 1985. In addition, the freight market has been underpinned by the fact that congestion at the U.S. coal ports has siphoned off a considerable amount of bulk tonnage.

According to an article in the

February edition of H. P. Drewry's Shipping Statistics and Economics, the recent surge of orders for large bulk carriers is "almost wholly attributable" to the bright prospects foreseen for the steam coal trade.

Drewry estimates that, for ships of more than 125,000 dwt, the current order book is equal to 139 per cent of the existing fleet—which implies very substantial growth in fleet size between now and 1982.

Drewry notes that, if the extra tonnage is to be fully utilised, there will have to be a revival in the fortunes of the world steel industry and this may not occur until 1985.

In addition, large combination carriers, which can carry either oil or dry bulk, have been attracted into this market because of the depressed state of the oil markets.

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Italians in Peking tie-up

BY OUR WORLD TRADE STAFF

ANIC, a member of Italy's Government-run ENI group, has signed a research and development agreement with the Ministry of Chemical Industry of China for a long-term joint research project in the petrochemical and synthetic polymer sectors.

The agreement was signed in Rome by Mr. Wu Jincheng, the Chinese Minister for the Chemical Industry, Sig. Gabriele Cagliari, general manager of ANIC.

During a week-long visit to Italy, the Chinese delegation headed by the Minister, visited research laboratories in Milan and Monterotondo as well as various ENI industrial plants at Ravenna.

Italy has proposed the establishment of a joint commission for economic and technical co-operation with Malaysia. AP-DJ reports from Kuala Lumpur. Sig. Baldassare Armato, the Italian Deputy Foreign Trade Minister, said the commission could facilitate the setting up of joint ventures and enhance co-operation in commerce and industry, and asked that Malaysia had agreed to consider the proposal.

World Economic Indicators

		UNEMPLOYMENT			
		Jan. '81	Dec. '80	Nov. '80	Jan. '80
UK	000s	2,419.5	2,244.2	2,162.9	1,470.6
	%	10.0	9.3	8.9	6.1
W. Germany	000s	1,308.4	1,118.5	967.5	1,036.5
	%	5.4	4.8	4.3	4.5
U.S.A.	000s	7,925.0	7,924.0	8,005.0	6,087.0
	%	7.5	7.5	7.6	5.9
Japan	000s	1,180.0	1,210.0	1,130.0	1,070.0
	%	2.1	2.3	2.2	2.0
Holland	000s	322.0	297.0	278.0	217.0
	%	4.3	5.8	5.4	4.2
Italy	000s	1,820.0	1,810.0	1,797.0	1,711.0
	%	8.3	8.2	8.2	7.8
Belgium	000s	431.0	425.3	425.7	367.0
	%	10.6	10.5	10.5	9.1
France	000s	1,632.0	1,613.0	1,585.1	1,469.0
	%	7.3	7.2	7.1	6.5

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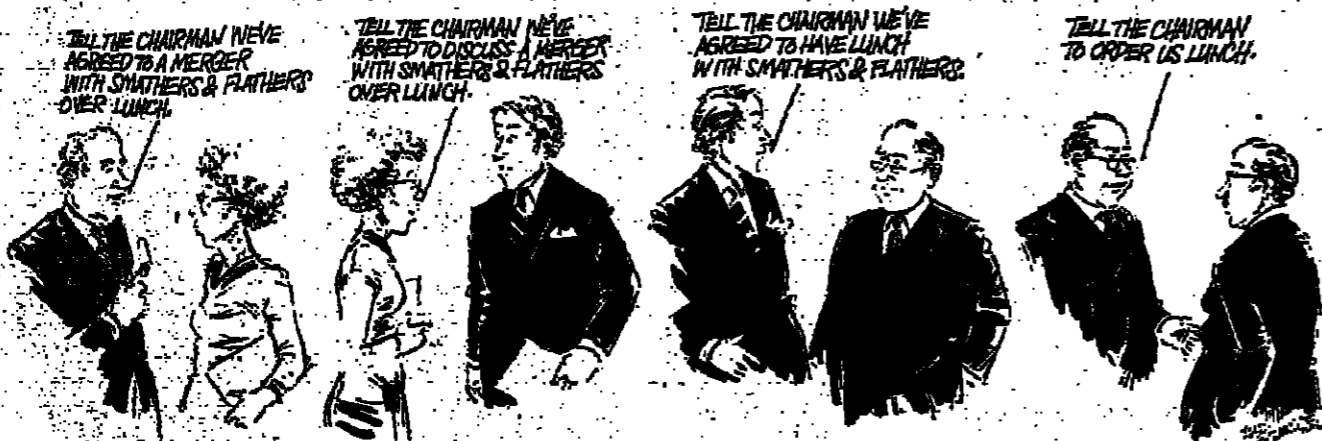
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UK NEWS

Murdoch reorganises Times Newspapers

By Robin Pauley

MR. RUPERT MURDOCH has moved quickly to reorganise the running of Times Newspapers by instituting a review of all marketing and advertising staff and printing all the supplements outside London in the first week of ownership.

Mr. Murdoch has appointed Mr. Michael Ruda, advertising director of Times Newspapers, the post he held on the Sun newspaper owned by Mr. Murdoch's News International.

Sun success

He was responsible for the success of the Sun in advertising terms and Mr. Murdoch has asked him to repeat the exercise with The Times and Sunday Times.

He is interviewing all staff including senior executives in the advertising and marketing departments of both newspapers before withdrawing the protective notices issued to all staff before the sale by Thomson.

Some are being offered new contracts and some are apparently being asked to leave quickly with generous redundancy payments.

New team

The jobs under discussion include the senior executives of the marketing and advertising divisions of both papers, most of whom are not expected to survive.

This would mean a completely new management team at the top of each section of The Times, the Sunday Times and the Sunday Times colour magazine.

Since buying the papers for £12m on February 13 Mr. Murdoch has appointed a new managing director, Mr. Gerald Long, formerly chief executive of Reuters news agency.

He has also appointed Mr. Harold Evans, editor of the Sunday Times, to the same job on the Times. He will be replaced on the Sunday Times by his former deputy, Mr. Frank Giles.

Supplements

The Times Literary, Educational and Higher Educational Supplements were all printed out of London last week, the first issues since Mr. Murdoch took them over.

They were printed in Northampton on the presses of the evening newspaper, the Chronicle and Echo, which has a short term contract with Mr. Murdoch.

Engineering prospects grim even when recession ends

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

EMPLOYMENT in the mechanical engineering sector will be between 90,000 and 180,000 lower by the end of 1981 than it was at the end of last year.

Few of the jobs lost are expected to be re-created when the economy picks up, because of the underlying contraction of this branch of the UK economy, as well as the response to recession by employers who have taken the opportunity to make their operations more efficient.

The forecast, the Mechanical Engineering Short Term Trends report, has been compiled by representatives from Government, employers and trade unions. The authors believe that orders in the mechanical engineering industry have probably now stopped falling, but they are already below output levels and output will continue to fall.

Output per employee fell during 1980, probably reflecting reduced overtime and

increased short-time working, says the report. The pressures of cost competition suggest that this reduction cannot continue, so with output falling jobs must continue to be lost.

Latest figures put total employment in the industry at 815,000 in October 1980. Since then, some of the predicted 90,000-180,000 jobs have been lost, but it is impossible to say how many.

Although the fall in home orders has probably now

bottomed out, the forecast does not expect there to be any improvement throughout 1981.

This is because the main sources of demand for mechanical engineering products are the investment programmes of manufacturing industry and public authorities, both of which are cutting purchases.

The Engineering Employers' Federation, which publishes the report, has long argued that spending cuts should be concentrated on current and not

capital spending, but so far this plea has not met with much success.

Export orders are also depressed, but not as steeply as home orders. The report forecasts a slight reduction in order intake volume in the first half of 1981 as export markets feel the world recession and the strong pound contributes to some further loss of the UK market share.

The only bright spot in the report is that which shows an

improvement in the trade balance of engineering products. This reflects a marked reduction in the value of imports and very little change in the value of exports.

The substantial reduction in the level of new export orders, however, is expected to cut exports in 1981.

Mechanical Engineering Short Term Trends, February 1981. Published by the EEF, Broadway House, Totterdell Street, London, SW1.

CBI attacks proposed reform of stock relief

By Tim Dickson

THE GOVERNMENT'S proposed reform of stock relief is being attacked in principle and will leave the company sector substantially worse off in the longer term, the Confederation of British Industry said yesterday.

In a detailed critique of last year's Inland Revenue Consultative Document on stock relief, the CBI deplored the fact that the proposed Green Paper on corporation tax has not yet appeared. "The proper discussion of the reform of stock relief could only take place in the wider context of a discussion of the future of corporation tax," it says.

The Inland Revenue proposals, published last November, have already provoked a barrage of comment. The present system, introduced in the 1975 Finance Act, was designed to prevent companies paying tax on the element of stock appreciation included in conventional historic cost profits.

Its weaknesses have become increasingly apparent and worrying, notably the arbitrariness of its effect and the "claw-back" provisions under which relief given in past years is recovered when a business's stock value falls.

In broad outline, the Government's proposed scheme will give relief for the effects of price changes generally. In stocks held at the start of an accounting period. But when stock exceeds £1m, the relief will be reduced to the extent that this stock is financed by trade credit or other borrowings.

The basic relief proposed in the Consultative Document represents "a very modest improvement over the present stock relief scheme," says the CBI. By removing much of the claw-back threat, it is expected to reduce company tax bills by about £900m in 1981-82.

"The CBI would like to see the proposed All Stocks Index, which the Government plans to use to calculate the amount of stock relief allowed—replaced by a variety of indices more closely reflecting the price movements of stocks held in individual sectors," it says.

The CBI argues that the credit restrictions are "detrimentally infeasible" and would have extremely damaging consequences for the business sector.

The Inland Revenue confirms that all its estimates based on the Treasury economic model suggests that the new scheme will help companies in the longer term.

RAF likely to have 100 U.S. Harriers

BY MICHAEL DONNE

THE UNITED Kingdom is now moving closer to a decision to buy up to 100 of the advanced AV-8B version of the Harrier jump jet fighter from the United States, worth about £1.2bn, rather than develop a new version of the UK aircraft, the Mark 5 at a much higher cost.

This matter is expected to be on the agenda for the forthcoming meeting in the United States between Mrs. Thatcher and President Reagan. A final decision is expected to be taken in time for inclusion in the defence White Paper to be published just before Easter.

The United States Marine Corps is already planning to buy 336 of the AV-8Bs, a version developed over recent years by McDonnell Douglas of the U.S. with substantial assistance from British Aerospace.

Funding up to £243m for further work on the AV-8B, including four development aircraft and the first 12 production aircraft, was included in the 1980-81 U.S. defence budget, and a further £231m has been allocated in the 1981-82 defence budget prepared by President Carter and now being scrutinised by the President Reagan. This cash is expected to remain untouched

by the new U.S. administration in the light of the extreme determination by the U.S. Marine Corps to have this aircraft.

The Harrier in its early version developed in the UK is already in service with the RAF, and the U.S. Marine Corps, while an advanced Sea Harrier is in production for the Royal Navy.

The problem of a "Harrier replacement" has been causing the British Ministry of Defence considerable problems, with a choice of either joining the Americans and buying the AV-8B, or developing a separate British version, the Mark 5, more specifically tailored to RAF requirements.

The latter solution however would be much more expensive than buying the AV-8B. In view of the present squeeze on defence spending in the UK the Ministry of Defence is now understood to be leaning towards adopting the U.S. version.

Besides saving on development costs, the UK would also get a substantial part of the work on the Harriers built by McDonnell Douglas for the U.S. armed forces if it buys them for the RAF.

UK, U.S. act to cut air fire risk

By Michael Donne

THE UK and the U.S. will spend over \$10m (about £4.6m) in the next five years on a continued joint programme of development of a fuel additive designed to reduce risk of fire in aircraft crashes.

Called FM-9, the additive has been developed by ICI Paints Division in the UK in conjunction with the Royal Aircraft Establishment, Farnborough, and the U.S. Federal Aviation Administration.

In effect, when added to normal aircraft fuel, it prevents "mistling" in aircraft crashes, substantially reducing possibility of the fuel igniting.

Mistling of escaping aircraft fuel is a big fire hazard, and a substantial cause of passenger deaths. Addition of FM-9 will prevent or at least reduce the "fireball" that often accompanies crashes.

It has been under development for 14 years, and has reached the stage where full-scale tests can be conducted.

These will be undertaken in both countries, and will include deliberate ignition of a large quantity of fuel from an aircraft on the ground to simulate a crash.

Changes in Bank of England Court likely

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

CHANGES in the composition of the Court (or board) of the Bank of England are likely at the beginning of next month. New directors will probably be appointed.

Mr. Christopher Dow, the Bank's top economist, is expected to retire as an executive director as he will be 65, but he may continue to be associated with the Bank. He has been a director for eight years.

It appears unlikely that Mr. Dow will be replaced as economic director. The main responsibility for the Bank's economics work will be held by Mr. David Walker, an assistant director with Mr. John Flemming and Mr. Charles Goodhart as the main economic advisers.

Mr. Dow's successor as an executive director will probably be Mr. Anthony Locks, who is responsible for the Bank's overseas side.

He was appointed as its first and only associate director a year ago as the Bank already had its full complement of executive directors.

The changes will have no immediate implications for the Bank's structure after last year's big reorganisation. But there are likely to be further moves in the next few years as a number of executive directors are approaching retirement age.

The term of Lord Robens, a non-executive director, is due to run out this year, as he is 70 a new appointment is likely.

TSW voting shares formula

THE INDEPENDENT Broadcasting Authority and Television South West, its new franchise holder for the South Western Region, are reported to be close to an agreement which will allow all TSW shares to be voting shares.

Mr. Kevin Goldstein-Jackson, TSW's joint managing director, says the IBA has agreed to the

plan after lengthy discussions with TSW, the Gresham Trust, the Stock Exchange and solicitors.

The deal, which will allow shares to be freely transferable and listed on the Stock Exchange, is designed to meet the requirements of the 1973 Broadcasting Act by protecting the company from an unwanted takeover.

New association at Lloyd's split over policy

BY JOHN MOORE

A SERIOUS rift has opened up between members of the committee of a new association at Lloyd's of London which has been formed to represent the interests of the 16,000 members who do not work at Lloyd's.

The committee has called a meeting for March 11 of the 270 or so members of the new association—called the Association of External Members of Lloyd's—at which a new committee is likely to be elected.

The committee, chaired by Lady Janet Middleton, a former member of the ill-fated Sasse underwriting syndicate, has split into two camps. The three executive officers, including Lady Middleton, face opposition from a group of co-opted members.

The row is essentially over policy matters. There has been some argument over whether the emerging association should associate itself with a petition lodged with Parliament by two

underwriting members of Lloyd's for amending Lloyd's new Bill improving self regulation within its market.

Although Lady Middleton can muster the support of three of her committee, her camp is outnumbered by five to four.

The Lloyd's establishment is violently opposed to the new association which seeks to represent the interests of the 80 per cent of the total 20,000

membership which does not work at Lloyd's.

Lloyd's feels that the new association could usurp the function of managing underwriting agents, who look after the affairs of all Lloyd's members in the market.

But the new association argues that it wants to represent the collective interests of the members, not just the individual interests, which are attended to by the agents.

Some underwriting agents have warned overseas members who may be seeking to join the new association that if they are unhappy with the services they are getting and are considering joining the association they should change their underwriting agent.

Overseas members account for over 10 per cent of the membership of the external members association.

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Tax relief likely for job creation

BY ROBIN PAULEY

THE Government is expected to announce in the Budget that private sector investments in urban renewal and job creation projects in run-down city areas will qualify for tax relief.

This could bring millions of pounds into development schemes with commerce and industry playing a major role as financier and guarantor.

Until now large companies and industries in the private sector have been urged to invest in development programmes for job creation and the support of small businesses without any tax incentives to do so.

The problem has been further emphasised by the fact that industrial and commercial sponsorship of the arts and sport is tax deductible.

The London Enterprise Agency, in particular, has been urging the Government for nearly a year to change the taxation rules to encourage large scale private investment in redevelopment schemes.

Treasury ministers are understood to have been very much more sympathetic to the argument than the Environment Department and Sir Geoffrey Howe is now thought to have decided to make the change in next month's budget.

At the same time the Government is to announce that in addition to the London Enterprise Agency projects and the St. Helen's Trust there will be 33 more enterprise areas in Britain where agencies and

trusts can develop land in conjunction with the private sector. They will be based on the areas where councils have been ordered to set up registers of vacant or under-used land.

There are 21 so far and another 11 will be announced soon. The 21 are in Birmingham, Bradford, Bristol, Coventry, Dudley, Gilling, Gateshead, Leeds, Liverpool, Manchester, Middlesbrough, Newcastle-under-Lyme, Newcastle-upon-Tyne, Preston, Salford, Stockport, Sefton, Stoke, Trafford, Wandsworth and Wirral.

The potential source of income from private investment is very large. BP alone had a petrol revenue tax bill in 1979-80 of £497.6m. Royalties and corporation tax took the provision for the year past £1bn. If only a small part of that money was channelled into an urban revival scheme it could make a significant contribution.

British companies which have discussed the idea with BP during the last year, under the sponsorship of Mr. Tom King, Local Government Minister, include Prudential, Shell, IBM, BOC, Pilkington's, Marks and Spencer, GEC and the Industrial and Commercial Finance Corporation.

The Government has been impressed by the success of private investment in urban renewal in the United States where all such payments are tax deductible.

GKN plans national car parts depot in Midlands

By John Griffiths

GKN Autoparts (UK), Guest Keen and Nettlefold's motor components distribution company, is to open a national distribution centre this summer as part of a drive to capture a bigger share of the UK parts and accessories market.

The centre, at Weddon, close to the M1 in Northamptonshire, comprises a 100,000 sq ft warehouse which should be employing 80 people and carrying nearly 19,000 product lines when fully operational in 1981.

It represents a rationalisation of the GKN operation following its acquisition in 1979 of two other distribution companies—Advanced Motor Supplies and Armstrong Autoparts—from Sheepbridge Engineering and Armstrong Equipment respectively.

The Weddon complex will service all 200 wholesaling and cash and carry warehouse outlets brought together under the new grouping.

An emergency "vehicle off road" service is being made available to all outlets which should provide replacement parts within 24 hours.

In addition, GKN late this year will offer further retail franchises under its DIY Motorstores scheme.

Facing up to some nylon textile problems

COURTAULDS' decision to pull out of the nylon textile yarn business must raise some questions about the position of other producers, particularly of Imperial Chemical Industries, the biggest manufacturer.

Courtaulds originally had a 50-50 partnership with ICI in British Nylon Spinners, and it was only when this was dissolved that the textile giant set up its own Celon nylon operation, in 1964.

ICI today makes Nylon 66, slightly different from Nylon 6 produced by Courtaulds, though the major outlets for both are much the same.

Courtaulds announced plans to close its two Celon nylon plants with loss of some 1,900 jobs on Friday.

The main reasons it gave for the decision were steady decline in demand for nylon textile yarns; strength of sterling, which hit exports; and weak selling prices, caused partly by cheap imports, partly by overcapacity in Western Europe.

Some industry experts believe ICI will soon be forced to subject its nylon textile yarn business to close scrutiny for much the same reasons.

There appear two schools of thought about the future of the nylon textile operation. One is that as other producers close operations, ICI will be left in an increasingly strong position.

Courtaulds is not the only manufacturer to be pulling out of nylon textiles. In January the Dutch-based British Enka-nol announced that it would

end production of nylon textile yarn in the UK though it hopes to continue producing nylon carpet yarn.

The Courtauld withdrawal from nylon is therefore seen by some as part of a trend toward greater specialisation by European fibre-producers.

The company will now be able

Northern Ireland, and at Aintree, Merseyside.

These plants supplied some 50 per cent of the nylon used by Courtaulds' downstream hosiery and warp-knitting operations. The supply gap will have to be filled by someone.

ICI has had a far bigger presence in the nylon textile

ribbons, conveyor belts, seat belts and car seat fabrics.

But against all this must be set Europe's huge overcapacity in nylon textile yarns, and the decline in demand, which started long before the present recession.

It is of cold comfort to be the "dominant force in nylon

dislike of nylon garments and bedclothes.

It is one reason why the textile group now suffers particularly badly from overcapacity in basic nylon textile yarn.

Since 1977 its Furzebrook warp-knitting subsidiary has shut plants at Aintree, Wrexham, Wolverhampton and Spondon, Derbyshire, and now operates only one site at Nottingham. Derby-Nylon, Courtaulds' other warp-knitting company, has reduced capacity.

The hosiery industry is perhaps the most important single outlet for nylon textile yarn, and there is little danger of this disappearing. Since nylon cannot be replaced by polyester in this application.

But despite efforts to boost sales by creating fashion for tights with spots, tights with clocks and tights dyed lime green of magenta, this market has also been declining. A major factor has been the trend for women to wear trousers.

Courtaulds has therefore shut hosiery plants in South Wales, Lancashire and Northern Ireland. This again has reduced output from its nylon textile yarn plants.

Some industry experts believe that ICI will not be immune from market pressures now forcing Courtaulds to pull out of nylon textile yarn altogether.

They point out that no major new application for nylon textile yarn appears to be in the offing, and that ICI must feel the effect of the strong pound on its nylon export business every bit as much as Courtaulds.

Sue Cameron and Rhys David look at Courtaulds' policies

to concentrate on viscose and acrylic fibres, of which it is a world-scale producer.

ICI announced plans last year to pull out of most sectors of the polyester filament business to concentrate on its main strength, nylon.

It is converting some polyester textile equipment in Wales back to nylon. ICI has a large slice of the European nylon carpet yarn business, whereas Courtaulds does not produce nylon carpet yarn.

Misfortunes

Nylon is the main fibre used in making carpets, and seems likely to grow stronger than wool or polyester in the longer term.

It is therefore being argued that the misfortunes of other companies will be the advantage of ICI.

It will stand to gain from closure of Courtaulds' two nylon textile plants at Carrickfergus,

yarn market than Courtaulds, with some 40 per cent of the nylon market, including carpet yarn and about 20 per cent of the total West European market, compared with Courtaulds' 6 per cent in Europe.

ICI believes that last year only the U.S. Du Pont had a larger share of worldwide polyester and nylon capacity. ICI's share of capacity was equal to that of the whole of Japan. It believes that it has a particularly strong nylon product range.

Nylon textile yarns are used chiefly in making tights, stockings, underwear and other clothing, though they have a number of more industrial uses. ICI claims it is a leader in supply, and technology, of textured nylon yarns for the hosiery industry.

It says that it has a good range of nylon yarns for use in the upper end of the lingerie market, sports and leisure wear, manufacturing of computer

in the European textile industry," as ICI claims to be, when average capacity utilisation in the UK and on the Continent is only about 65 per cent.

Even in 1979, before the general economic recession hit all producers, average capacity utilisation for European textile yarn plants was only 76 per cent.

Collapsed

One reason for this is that demand has been falling for some years. Courtaulds estimates that the decline started in 1975.

The trouble was that people started to show a dislike of nylon shirts which were too sweaty; nor did they like sleeping between slippery nylon sheets. Both markets, providing important outlets for nylon textile yarn producers, have collapsed.

Courtaulds has closed a number of its warp-knitting factories as a result of this general

Brokers warn of U-turn in Budget interest rates

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

A BIG reduction in Minimum Lending Rate in the next few months would be a far more serious "U-turn" than the surrender to the miners last Wednesday," stockbrokers L. Messel warn this morning.

In their latest weekly gilt monitor, the brokers highlight expansionary influences on the money supply, notably the recent rapid growth in UK residents' foreign currency deposits and in building society deposits.

Foreign currency deposits jumped by over 12 per cent in January. These can be converted into sterling whenever their holders wish and they are therefore a genuine part of the economy's liquidity.

These deposits could quite properly be incorporated in PSL2, the broad measure of liquidity, but they are not.

Nevertheless, PSL2 increased by 1.8 per cent last month, compared with an 0.7 per cent rise in sterling M3, the monetary measure in the official target. This was mainly because of a 2.5 per cent rise in building society deposits.

The brokers note that, if the building societies are taking in

money at this rate with Minimum Lending Rate at 14 per cent, "it is rather worrying to consider how large the inflows might be if MLR was at 10 or 11 per cent."

"The message must be that the MLR cut, which seems inevitable in the Budget, should be the last for a long time. Not only may there be a strong latent demand for credit from the personal sector because inflation expectations persist, but also the powder-keg of spending power created by the recent rapid liquidity expansion could be ignited by too early a cut in interest rates."

Therefore, Messel warn against too large a cut in MLR in the immediate future.

In another weekend circular, brokers Phillips and Drew suggest that the Budget may raise net revenue in the 1981-82 financial year by £500m which would reduce prospective public sector borrowing to £11.2bn.

Such a package might enable the Government to argue that its economic strategy remained intact but the chances of more than a modest upturn in output after mid-1981 would be no further advanced.

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UK NEWS

Raleigh report likely to urge new investigation

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THE LONG-AWAITED report into the trading practices of TI Raleigh Industries, a subsidiary of Tube Investments, is expected to be published later this week by the Office of Fair Trading.

The report, the first to be published under the Competition Act, is likely to recommend that a further investigation be carried out by the Monopolies and Mergers Commission to determine the public interest.

The OFT last August decided to investigate Raleigh

after allegations by some discount retailers that the company had refused to supply them with its main bicycle brand because of their cut-price policies. Retailers which complained to the OFT included both the Argos and Tesco stores chains.

The Competition Act, which became law last summer, gives the OFT the power to investigate any alleged anti-competitive practice being carried out by a single company. Although refusal to supply cut-

price retailers is already unlawful under other competition legislation, the new Competition Act was seen as a more effective weapon in promoting fair trade.

The OFT's investigation is expected to find that Raleigh, which has about 46 per cent of the UK bicycle market, had adopted a discriminatory supply policy towards certain retailers.

Raleigh argued that its policy was aimed at protecting its traditional outlets, which are mainly small independent bicycle retailers.

Raleigh argues that it selects its outlets to provide "a strong servicing base in the interests of road safety and continuity of bicycle selling both throughout the seasonal pattern of the year and through bad years as well as good."

The OFT believes the Monopolies Commission should be asked to decide whether or not such discrimination is in the public interest. The commission will be asked to produce its report in six months.

Under the Competition Act, the OFT cannot refer Raleigh to the commission for at least a month. This is to give Raleigh time to make representations about the investigation to the OFT.

If the OFT has not referred Raleigh to the commission at the end of two months (extended to three months in certain circumstances) then it is unable to do so without starting the whole investigation procedure again.

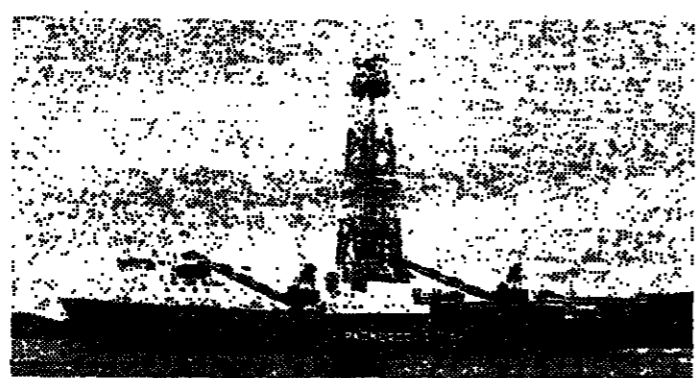
Drilling company share sale 'attractive'

MR. ATLE JEBSEN'S decision to sell a 49 per cent stake in his UK drilling company, Jebens Drilling Ltd, is likely to generate considerable interest from institutional investors.

As a result of the sharp increase in offshore oil drilling activity there has been a tremendous boom in the demand for drilling rigs. Rates for semi-submersibles have risen from less than \$18,000 (£7,800) a day in 1978 to \$90,000 (£40,000) a day and, despite the recent state of orders, the boom is expected to continue until 1983-84. Second-hand values of semi-submersibles have doubled over the last year and are now of the order of \$80m apiece.

However, very few UK companies take part in offshore drilling, and the few that do are mostly privately owned and likely to stay that way. KCA, a publicly quoted company, has bought a half-completed drill ship and has been talking for a long time about building several semi-submersibles. But the other major operators are either privately owned (Ben Line) or owned by foreigners (Kingsnorth Marine Drilling).

Jebens Drilling will be the only pure UK-based offshore drilling operation available to outside investors. Mr. Jebens and his family intend to keep the majority control and a 49 per cent stake will be placed privately among about 20 or 30 institutions, raising about £25m. Part of the money will go to shareholders and the rest will be reinvested in the company.



William Hall looks at the story behind the Jebens decision

Jebens Drilling is a relatively young company. Following the bankruptcy of the Oslo-based Waage shipping group, Mr. Jebens, who owns a fleet of about 60 small bulk carriers totalling 1m dwt, was asked by the creditors to take over the management of the two semi-submersible drilling rigs, Aladdin and Sinbad Saxon.

In September 1978, ownership of the two rigs was transferred to a partnership between Jebens, with 85 per cent, and an Oslo shipbroker, Mr. Inge Steensland, who still has an interest in the rigs and sits on the board of Jebens Drilling.

Shortly afterwards they were transferred to the UK flag and brought out of lay-up. In May 1979 Jebens Drilling was

formed in the UK and the two rigs were put to work. In the same year an associated company, Pacific Norse Shipping, took delivery of the drill ship, Pacnorse 1, which was built at Scott Lithgow on Clydebank.

Last year Jebens took full control of Pacific Norse Shipping, which apart from the Pacnorse 1, operates a fleet of 16 bulk carriers. Pacnorse 1 and the two semi-submersible drilling rigs will now form the core of the reconstituted Jebens Drilling.

Jebens Drilling is relatively small compared with the major U.S. contractors like Odeco and Sedco. But it has a very strong cash flow and this is what will appeal to institutional investors.

The Sinbad Saxon has a two

and a half year contract with Occidental at \$75,000 a day and Pacnorse 1 is chartered to Petro Canada at close to \$80,000 a day until the end of next year. Meanwhile, Jebens is close to finalising a five-year contract for the Aladdin at an undisclosed rate.

With these sort of revenues Jebens hopes to order two or three more units over the next few years.

There is always a danger that too many rigs will be ordered. The offshore drilling market is notoriously cyclical and has only recently emerged from a very severe recession which resulted in financial difficulties for several owners of offshore drilling rigs.

Nevertheless, the scale of drilling activity envisaged for the next few years means that most of the rigs now on order will find employment for several years.

Oslo shipbrokers, P. F. Bassee, estimate that 2,400 wells were drilled offshore last year and forecast that 3,500 will be drilled this year and 4,350 by 1985.

Against this background Mr. Jebens plans to establish Jebens Drilling as a significant force in offshore drilling.

World Drilling rig orders

	Existing	On order
Jack-up	280	145
Semi-submersible	111	31
Drill ship	80	4
Total	471	180

Source: P. F. Bassee, Oslo.

Clare estate to challenge Revenue tax claim

By Raymond Hughes

THE CHANNEL ISLAND-based executors of the estate of the late Sir Charles Clare will challenge in the High Court today the right of the English courts to hear a tax claim against the estate by the Inland Revenue.

Styke Investments (Jersey) will ask the court to rule that it has no jurisdiction, or should assume none, to deal with the Revenue's claim.

The Revenue asserts that Styke is legally obliged to deliver accounts on the £20.5m sale of the Guy's Estate in Herefordshire, the largest item in the English estate of Sir Charles, who died last July.

The Revenue also seeks an order that Styke must pay Capital Transfer Tax, based on more than £15m, on the sale proceeds, which have been transferred to Styke in Jersey.

Styke intends to put before the court Royal Charters dating from the 14th century to show that the constitutional relationship between Jersey and the UK bars the Revenue's action.

Water rate cut

YORKSHIRE Water Authority will not increase 1981-82 charges by as much as was first announced in January. The overall average increase has been reduced from 22 to 13.5 per cent, and the average domestic charge from 25 to 16.5 per cent.

Farm deaths

NINETY-FIVE per cent of accidents on farms are caused by human error, says a new agricultural safety code published yesterday.

Video boom

A SHARP increase in the sales of video tape recorders in Britain is predicted by City stockbrokers W. Greenwell. In the current year they expect a small growth in sales to 500,000 machines worth around £142m but forecast a jump to 800,000 sets worth £200m next year and 1.2m worth £300m by 1984.

Ramblers appeal

THE RAMBLERS' Association is concerned about what it calls British Rail Southern Region's "hit list of rural stations due to be closed on Sundays. The Association, which has a membership of about 70,000, has appealed to BR to re-think its plans.

Economic engine

A NEW British industrial engine was launched by the Perchly diesel engine company at Peterborough today. It says that a new combustion system has made the four-cylinder unit cleaner quieter and more economical to run.

Bodies chosen to vet telephone equipment

Financial Times Reporter

THE British Standards Institution has agreed to draw up the technical standards for telephone equipment which may be attached to the public network after the liberalisation of British Telecom's monopoly.

Mr. Kenneth Baker, the Industry Minister, said in a written answer that the British Electro-Technical Approvals Board (BEAB) had also been asked to be the approval body for telecommunications equipment which may be offered after the British Telecommunications Bill is passed.

The setting of standards and approval of equipment are currently performed by British Telecom. A clause in the Bill requires that this should be done independently once British Telecom has to face competition from private companies.

The intention is to liberalise the monopoly over the supply of equipment during a three-year period to allow British manufacturers to gear up to face foreign competition.

Critique published

"What is Wrong With the European Communities," a critique by Professor Jaegerm Dones, of Kiel University is published today (Monday) by The Institute of Economic Affairs, price £1.00.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS	
Current	Gifts Fair (0277 230501) (until Feb. 26)
Feb. 22-26	Photography at Work Exhibition (01-688 7788)
Feb. 23-28	Effluent and Water Treatment Exhibition (01-637 2400)
Feb. 23-28	International Construction Exhibition 81—Public Works and Municipal Services Congress and Exhibition (01-637 2400)
Feb. 24-28	National Stamp Exhibition—STAMPEx (01-630 9465)
Feb. 25-28	Workwear and Career Apparel Exhibition (01-643 8040)
Mar. 1-5	Autogrip Exhibition (01-235 7000)
Mar. 2-6	International Food and Drink Exhibition (01-486 1951)
Mar. 8-11	Junior Fashion Fair (01-636 1833)
Mar. 10-13	International Powder Technology and Bulk Solids Exhibition and Conference (01-486 5741)
Mar. 10-21	Chelsea Antiques Fair (0727 56069)
Mar. 10-Apr. 4	"Daily Mail" Ideal Home Exhibition (01-353 4000)

OVERSEAS TRADE FAIRS AND EXHIBITIONS

OVERSEAS TRADE FAIRS AND EXHIBITIONS	
Current	International Food Fair—SALIMA (01-373 0281) (until Feb. 25)
Current	International Boat Show (01-874 6034) (until Mar. 1)
Feb. 28-Mar. 1	Finnish Shoe and Boot Fair (01-486 1951)
Feb. 28-Mar. 3	Oil, Petrochemicals, Energy Exhibition and Conference (01-580 5816)
Feb. 28-Mar. 6	International Tourism Exchange Exhibition (01-540 1101)
Mar. 2-13	Grand National Exhibition (Tele. 68306 EXPO 81)
Mar. 6-15	International Agricultural Exhibition (01-439 3964)
Mar. 13-15	International Children and Young People Trade Fair (01-409 0956)
Mar. 13-17	Travel and Vacation Exhibition (01-486 1951)
Mar. 14-22	Boats, Sports and Recreation Exhibition—BSR (01-540 1101)
Mar. 18-22	Garden Equipment Exhibition (01-336 0811)
Mar. 23-27	International Hospital Equipment Exhibition—MEDICA (01-489 1951)
Mar. 24-27	International Computing Exhibition—COMPUTEX (Dublin 763871)

BUSINESS AND MANAGEMENT CONFERENCES

BUSINESS AND MANAGEMENT CONFERENCES	
Feb. 24-25	Crown Eagle Communications: Cost estimating for non-competitive defence contracts (01-636 0617)
Feb. 25	FT Conference: Developing the corporate report—European perspectives (01-621 1355)
Feb. 25	Gower Conferences: Insurance Law—reforms (UK and EEC changes) (01-249 5631)
Feb. 25	Productivity Consulting Services (Edinburgh): Motivating people to improve productivity (021-449 4645)
Mar. 24	British Institute of Management: Three consecutive one-day seminars—Redundancy, legal and social obligations (for employers); Helping yourself to a new future for redundant managers and executives; Building your own business (for those who wish to become self-employed) (01-405 3456)
March 2-5	IPM: Preparing and presenting your own tribunal case (01-387 2944)
March 4	AGB Conference: Services: The Autogrip 81 seminar—Profits in the aftermarket (01-353 3651)
March 4-5	City Financial Conference Services: Changing World Insurance Markets—London at Risk? (01-628 3040)
Mar. 4-5	The Henley Centre for Forecasting: Practical training in forecasting quantitative techniques of forecasting (01-350 9681)
Mar. 5-6	AMD: Cost control techniques for managers (07335 58047)
Mar. 5	CCC: Taxation of capital gains on sale by foreigners of U.S. real property (01-222 6382)
Mar. 9	IRS/IPM: The new employment law do you have all the facts? (01-357 2841)
Mar. 10-12	FT Conference: Tomorrow's Technology—Society's master or servant (01-621 1355)
Mar. 11-13	The Institute of Information Scientists: Information Technology and people (0734 861345)
Mar. 12	The Industrial Society: Work and the Community (01-262 2401)
Mar. 16	The City University: The Banking and financial activities of the City of London (01-606 1807)

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

Financial Times Conferences

TOMORROW'S TECHNOLOGY—SOCIETY'S MASTER OR SERVANT?

Gloucester—March 10-12, 1981

The significant issues affecting society in the next decades, changes in the patterns of work and attitudes towards it will be considered by Sir Richard O'Brien, Chairman, Manpower Services Commission and the Rt. Hon. Edmund Dell, P.C., Chairman and Chief Executive, Guinness Peat Group Limited.

WORLD BANKING

Basle—May 14 and 15, 1981

This two-day conference will examine some of the crucial issues facing international banking in the developing world. The international economic outlook will be assessed by Dr. Helmut Schelske, Vice-President, Deutsche Bundesbank and Dr. Irving Friedman, Senior International Adviser, First Boston Corporation.

Other speakers will include Mr. Walter Habermeier, Counsellor and Treasurer, International Monetary Fund and Dr. Bruno Gehrig, Vice-President, Union Bank of Switzerland.

All enquiries should be addressed to:
Financial Times Limited
Conference Organisation
Minster House, Arthur Street
London EC4R 9AX

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NOTICE OF REDEMPTION

To the holders of

Tyco International Finance N.V.

3 1/2% Convertible Guaranteed Debentures due 1985

Conversion privilege expires at the close of business on April 2, 1981

Notice is hereby given pursuant to Section 1005 of the Indenture dated as of June 15, 1978 between Tyco International Finance N.V., Tyco Laboratories, Inc., as Guarantor, and Manufacturers Hanover Trust Company, as Trustee, that all of the outstanding 3 1/2% Convertible Guaranteed Debentures Due 1985 of Tyco International Finance N.V. ("Debentures") have been called for redemption on April 2, 1981 (the "Redemption Date") at 104% of the principal amount thereof ("Redemption Price") plus accrued interest to the Redemption Date.

Payment of the Redemption Price plus accrued interest to the Redemption Date will be made in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts. Payment will be made by a check drawn on Manufacturers Hanover Bank/Belgium S.A./N.V. in Brussels, of Societe Generale in Paris and of Credit Industriel d'Alsace et de Lorraine in Luxembourg.

Interest will cease to accrue on the Debentures on the Redemption Date. All Debentures presented for redemption or conversion must have the June 15, 1981 and subsequent coupons attached.

The Debentures are convertible into Common Stock of Tyco Laboratories, Inc. at the rate of 47.619 shares of Common Stock for each \$1,000 Debenture on or before the Redemption Date. At the close of business on such date, April 2, 1981, the right to convert the Debentures will terminate. Debentures may be surrendered for conversion in accordance with the terms of the Indenture at any of the places of payment referred to above.

No adjustment will be made for interest accrued on any Debenture that shall be converted or for dividends on any Common Stock that shall be issuable upon the conversion of such Debenture subsequent to a dividend record date.

The closing price of Tyco Laboratories, Inc. Common Stock on January 29, 1981 was \$38 3/8 per share.

TYCO INTERNATIONAL FINANCE N.V.
By: Manufacturers Hanover Trust Company,
Trustee

Dated: February 9, 1981

Woolworth to open opticians' units in two stores

BY GARETH GRIFFITHS

THE F. W. Woolworth stores chain is to open opticians' units in two of its largest stores next month. More units are planned if the initial launch is successful.

The units at the company's stores in Wolverhampton and Coventry will open on March 2. The Wolverhampton store is the largest Woolworth store in Britain.

The units will be run as a joint venture, John H. Chapman,

a group with four opticians' practices in the West Midlands and an industrial eye clinic, will operate them.

The scheme is closely modelled on the specialises shops within shops contract operated by Debenhams, which plans to have more than 40 such units by the autumn.

John H. Chapman expects to spend about £50,000 on equipment and stocks of spectacle frames for the two units.

Kidderminster Optical, an associated company, is to provide the spectacle lenses and contact lenses, which the company says will be produced for the customer in 48 hours.

Woolworth, which before the 1958 Opticians' Act, provided a wide range of over the counter spectacle sales, says it has no intention of pressing for a return to the practice.

The company plans to sell a relatively cheap £12.95 spec-

tacles frame in two-tone plastic. The units will stock frames in all price ranges and will also sell National Health Service frames and lenses.

Traditional high street opticians are angry at the increasing involvement of the large stores in the ophthalmic industry. They believe the specialised units in department stores will switch the industry's emphasis from eye care to spectacle sales.

Most foods show small price increase

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THE Financial Times grocery prices index rose marginally in February as a result of small increases in the cost of most foods included in the shopping basket.

The February index stood at 131.75 compared with 130.96 in January.

The FT grocery prices index is intended as a guide to the trend in grocery prices and is not an absolute indicator of price levels.

The index is based on data collected each month by 25 shoppers who monitor the same list of 100 grocery items each month in the same shops. The shops chosen range from superstores to small village grocers.

Most sections of the shopping basket this month reported small price rises, but no one sector showed an overwhelming

increase in cost. This reflects both the mild winter weather, which has made fresh fruit and vegetables more widely available, and the continuing competition between supermarket chains.

The Fresh Fruit and Vegetable Information Bureau says homegrown root vegetables are the "best buys." Leeks are especially good value and quality in the south, but not such good value in the north and Scotland.

The British Farm Produce Council says there is not much British lamb about, "and this will be reflected in the price."

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FT SHOPPING BASKET
FEBRUARY, 1981

	February	January
Dairy produce	649.05	643.29
Sugar, tea, coffee and soft drinks	211.49	209.74
Bread, flour and cereals	304.31	304.01
Preserves and dry groceries	109.52	109.51
Sauces and pickles	54.46	53.82
Canned goods	190.43	190.47
Frozen foods	231.01	232.07
Meat, bacon, etc. (fresh)	539.88	535.00
Fruit and vegetables	246.78	242.20
Non-foods	244.40	244.03
Total	2,801.33	2,784.47

1980: January 120.47; February 122.32; March 124.18; April 125.94; May 128.79; June 128.53; July 129.04; August 128.41; September 127.41; October 126.84; November 127.77; December 129.38.
1981: January 130.96; February 131.75.

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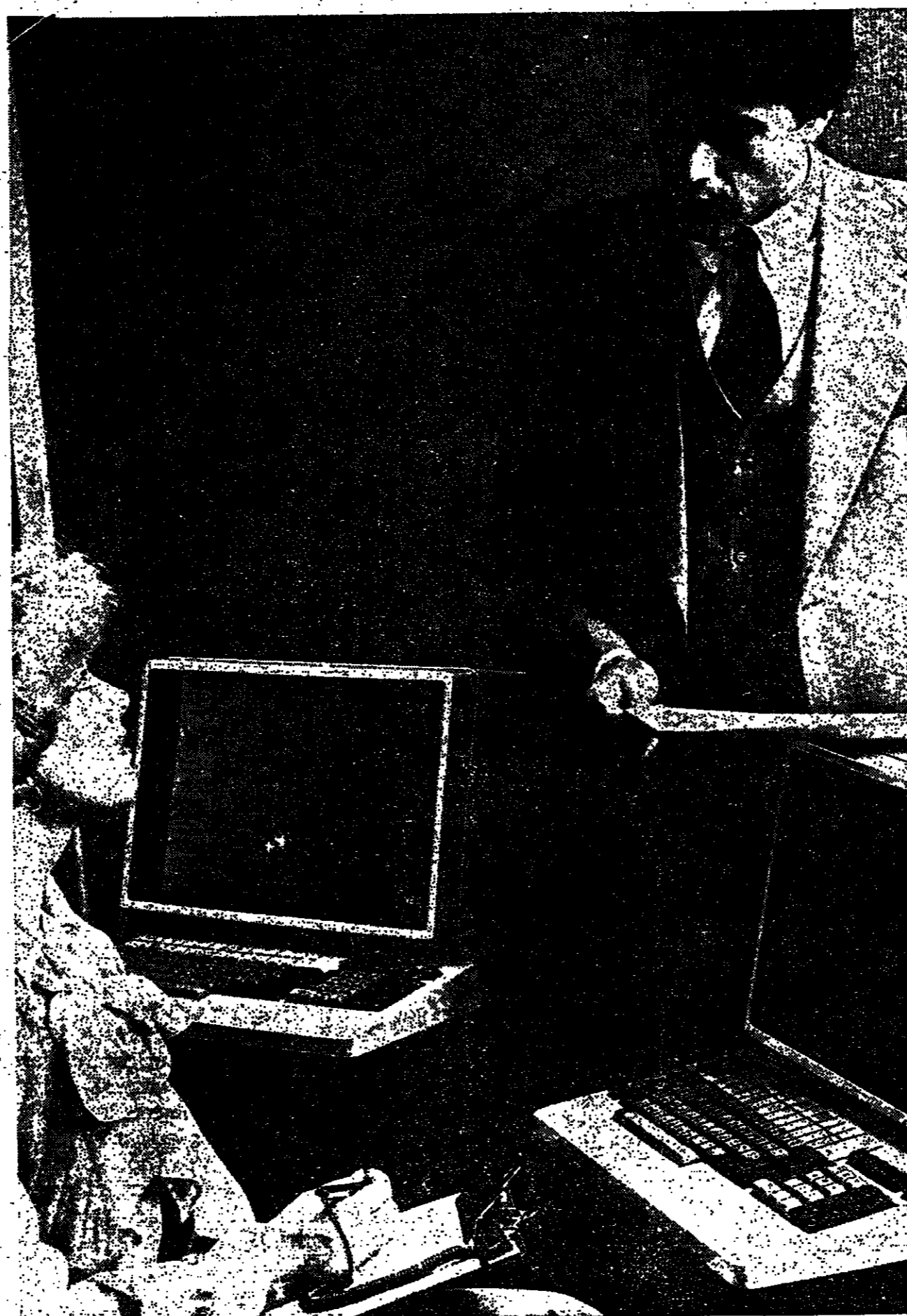
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Tokyo, Japan

UK NEWS—LABOUR

Labour and unions rally to oppose Linwood closure

BY RAY PERMAN, SCOTISH CORRESPONDENT

LABOUR AND trade union leaders are using the threatened closure of Talbot UK's plant at Linwood near Glasgow as a focus for opposition to the Government from Scotland.

Linwood workers marched behind Mr. Michael Foot, the Labour Party leader, at the head of an unemployment demonstration in Glasgow on Saturday which was the biggest political rally in the city since the Heath Government's decision to close Upper Clyde Shipbuilders 10 years ago.

More than 60,000 people from Scotland, the North of England, and as far afield as London and the South East, took part in spite of snow and the bitter cold—a turnout which surprised the organisers.

When most people were dispersing after a two and a-half hour rally, the tail end of the march had still not reached the park where it was being held.

The demonstration, following a similar event in Liverpool at the end of last year, is the second in a planned series aimed at building resistance to the Government's economic strategy. The next March will be in Cardiff.

Mr. Foot, who gave a pledge to the Linwood workers to fight the closure, talked of the rising fury across the country over mass unemployment and the

Government's policies which, he said, were contributing to the 12,000 lost jobs every week.

He called on the trade union and labour movements to "rise up like lions from slumber" to force the Government to change direction and bring about the eventual return of a Labour government with a large parliamentary majority.

Mr. Clive Jenkins, general secretary of the Association of Scientific, Technical and Managerial Staffs, said the Linwood closure would cost £250m a year in lost tax revenue and unemployment benefit. It proved the inadequacy of the planning agreement signed by the last Labour government with Chrysler UK, previous owner of the Linwood plant.

The new Labour government, elected on the most innovative and radical manifesto since 1945, would have to insist on firm control of transnational corporations.

It would need to take a "Rooseveltsian approach" to restoring the economy after the ravages caused by Mrs. Thatcher's administration.

Labour and the unions are fighting the Linwood closure on two fronts. They have already forced Mr. George Younger, the Secretary of State for Scotland, to ask for a second meeting with the management of Peugeot,

Talbot's French parent company. They want him to demand a postponement of a year in the closure and to offer to meet Linwood's losses in this period from public funds.

But shop stewards also plan direct action to thwart the company's proposal to run down the factory from the summer. A mass meeting at Linwood tomorrow will be asked to endorse a plan to prevent removal of any machinery or other equipment by industrial action, which could also involve haulage drivers and railwaymen.

Linwood stewards are in touch with unions in other Talbot plants in Coventry and elsewhere in Europe.

Union leaders acknowledge that the closure of the car plant does not have the emotional appeal of the threatened ending of shipbuilding on Upper Clyde side, which did much to crystallise opposition to Mr. Heath's industrial policies.

But it is symptomatic of the loss of manufacturing jobs in Scotland and other depressed areas of the country during the past two years and there is particular anger among unions and Labour politicians that the Government appears to have accepted Peugeot's decision to close the plant without any real attempt to make the company change its mind.

Eagle Star staff act over claim

By Our Labour Editor

ABOUT 6,000 Eagle Star insurance company staff today began disruptive industrial action over a pay dispute with their employer.

Talks lasting over seven hours at the Advisory, Conciliation and Arbitration Service yesterday failed to resolve an argument about the use of arbitration to settle the dispute.

The staff, who belong to the Eagle Star staff association, have been offered an increase of 11 per cent from January and 3 per cent from July in response to a claim for 15 per cent from January and 3 per cent from July in recognition of 200 jobs to be lost this year.

They want the difference to be put to independent arbitration as soon as possible, and say the company wants them to wait until the end of March. According to the staff association the company will declare profits of about £75m for the year ended in December 1980, compared with £64m the previous year.

Foot for Apex

MR. MICHAEL FOOT will address his first trade union annual conference since becoming Leader of the Labour Party when he visits the conference of the Right-wing Association of Professional, Executive, Clerical and Computer Staff at Southport on April 26.

Construction council near formation

BY JOHN LLOYD, LABOUR CORRESPONDENT

THE CREATION of a structure to oversee industrial relations in the construction industry, together with a pioneering national agreement drawing in previously separate bargaining units, seems likely by the middle of this year.

The formation of a national joint council with equal employee and employer representation and with a high level full-time staff was largely agreed in talks between craft unions and employers last week.

The national joint council would negotiate the hourly rate and the bonus rates, while site joint councils would monitor performance at individual locations on the basis of these agreed levels.

The council, which is being seen as comparable to the joint industry boards operating in the electrical contracting industry, would develop sub-committees to deal with training, finance and the particular problems of large sites.

Union leaders accept the need for the agreement and the council, but believe there will be difficulties in convincing shop stewards and members of its benefits.

A further meeting between the unions and the employers has been set for March 17, at which final agreement is expected.

Chance

The name of Lord Scanlon, the former president of the Amalgamated Union of Engineering Workers and chairman of the Engineering Industries Training Board, has already been put forward by the unions as chairman of the body.

Its formation is seen by both sides as the best, if not the last, chance the industry has of bringing order into its often chaotic bargaining procedures and wage levels, and of reversing the dramatic decline in the industry's fortunes in recent years.

An attempt last year to establish the council, and to conclude a national agreement bringing together craft and general unions on one side and the

THE UNION STEEL CORPORATION (OF SOUTH AFRICA) LIMITED

(Incorporated in the Republic of South Africa)

REPORT TO THE SHAREHOLDERS FOR THE YEAR ENDED 31 DECEMBER, 1980

The directors report that the audited consolidated results for the year ended 31 December, 1980 are as follows:

	12 Months ended 31.12.80	12 Months ended 31.12.79
Turnover	175,398	194,773
Operating profit	29,422	19,559
Income from investments	1,781	954
Less: Depreciation	31,218	20,523
Interest paid on borrowings	4,940	3,974
	2,982	3,445
LIFO adjustment	24,241	19,101
Profit before taxation	6,945	—
Taxation	17,396	13,101
	3,988	9,797
Plus: Profit on sale of shares in a wholly-owned subsidiary	13,398	9,244
Group profit	13,398	9,697
Earnings per ordinary share prior to LIFO adjustment	58.52c	31.34c
Earnings per ordinary share after LIFO adjustment	44.95c	—
Dividend per ordinary share	12.90c	8.90c
Bonus dividend per ordinary share	4.00c	—

The audited consolidated profit before tax for the year ended 31 December, 1980 amounts to R24,241,000 as compared to a profit of R13,101,000 for the previous year. This represents an increase of R11,140,000 (85 per cent). In order to combat the adverse effect which the high inflation rate has on profits, the board of directors has decided to change the method of stock valuation to the LIFO (last-in, first-out) method. An amount of R6,945,000 has been provided for in the income statement for the twelve months, resulting in a profit before tax of R17,396,000. The profit after tax, after R2,988,000 has been taken into account, reflects an increase of R4,054,000 (43 per cent) as compared to the previous year.

As a result of the improved profits the directors have decided to increase the dividend with 4.0 cents to 12.9 cents per share. In addition it was decided that a bonus dividend of 4.0 cents per share be declared.

The improvement in profit can be attributed mainly to the following:

- The steel division increased its profits for the year as a result of a higher turnover and better profit margins.
- The demand for copper and cable products increased during the year under review and a satisfactory profit was realised.
- Despatches of aluminium conductor improved and a profit was realised as compared to a loss for the previous year.
- Notwithstanding better domestic market conditions, Veldmaster did not succeed in realising a profit in its agricultural division. This is mainly ascribed to a poor export market and the strengthening of the rand against foreign currencies.
- USCO is still experiencing keen competition in its traditional foundry markets and despite a higher turnover, a small loss was sustained during 1980.

It is expected that the favourable economic conditions in the local market will continue in the following nine months. In these circumstances, the Corporation will maintain the volume of its steel deliveries in the domestic market. It is however expected that the product mix will be more favourable.

The marketing of steel in foreign countries is becoming increasingly difficult as a result of the recessionary conditions overseas, as well as the continual strengthening of the rand against other currencies. The aforementioned factors together with the prevailing high inflation rate in the Republic, make it difficult to negotiate profitable prices overseas. No significant sales in overseas markets are expected in the ensuing nine months.

Although local market conditions in the steel and non-ferrous divisions are good at this stage, it is expected that the high inflation rate will increase the Corporation's production costs by more than 20 per cent. In these circumstances, it is expected that the group profit for the nine months will not be lower than that of the corresponding period in 1980.

DIVIDEND DECLARATION

A. Ordinary Dividend
Notice is given that a final dividend of 31 cents per R2.00 share for the twelve months ended 31 December, 1980, is declared on the 'A' preferent shares.

Notice is given that a final dividend of 40 cents per R2.00 share for the twelve months ended 31 December, 1980, is declared on the 'B' preferent shares.

Notice is also given that a dividend of 12 cents per 50 cent ordinary share is declared.

B. Bonus Dividend
Notice is given that a bonus dividend of 5 cents per R2.00 share is declared on the 'A' preferent shares.

Notice is given that a bonus dividend of 16 cents per R2.00 share is declared on the 'B' preferent shares.

Notice is also given that a bonus dividend of 4 cents per 50 cent ordinary share is declared.

Dividends are payable to shareholders registered in the books of the Corporation at the close of business on 13 March, 1981. The transfer registers and members' registers will be closed from 14 March 1981 to 27 March 1981, both dates inclusive and cheques will be posted from both Johannesburg and London on or about 16 April, 1981. Registered shareholders who are paid from the London office, will receive their payment in United Kingdom currency—equivalent to the rand value of their dividends as at 7 April, 1981.

Any change of address or dividend instructions must reach the transfer secretaries on or before 13 March, 1981.

A tax deduction of 15 per cent will be applied if applicable to foreign shareholders.

By order of the Board:
P. E. BRIDGES
Secretary

Transfer Secretaries:
Central Registrars Limited
28 Harrison Street, Johannesburg 2001
(P.O. Box 61042, Marshalltown 2107)

Registered Office:
General Hartweg Road
P.O. Box 48
Vereeniging 1980

Charter Consolidated Limited
P.O. Box 102, Charter House
Park Street, Ashford
Kent TN24 8BQ

London Office:
40 Holborn Viaduct
London EC1P 1AJ
17 February, 1981

TOTAL OIL MARINE LIMITED

A British Company incorporated as a Limited Company on July 8, 1964 and registered under the No. 811,900 on the British Registrar of Companies

Head Office: Berkeley Square House
Berkeley Square, London W1X 6LT, UK

French Francs 150,000,000 9½% French Francs
Currency Notes due 1987 guaranteed by
COMPAGNIE FRANCAISE DES PETROLES

The General Meeting of holders of 9½%, 1979-1987
FF 5,000 TOTAL OIL MARINE LIMITED French
Francs currency notes, issued in March 1979, has
been held on Tuesday, February 3, 1981 in the
offices of BANQUE DE PARIS ET DES PAYS-BAS,
33 Throgmorton Street, London EC2N 2BA, to
nominate the noteholders' representatives.

The following individuals have been nominated:

Mr. Jean-Philippe Delcroix
3, rue Maurice Denis,
78100 Saint-Germain en Laye

Mr. Patrick Stevenson
9, rue Jean Richepin, 75016 Paris

Mr. Pierre Verry
100, avenue Jean-Baptiste Clément
92100 Boulogne Billancourt

The Board of Directors

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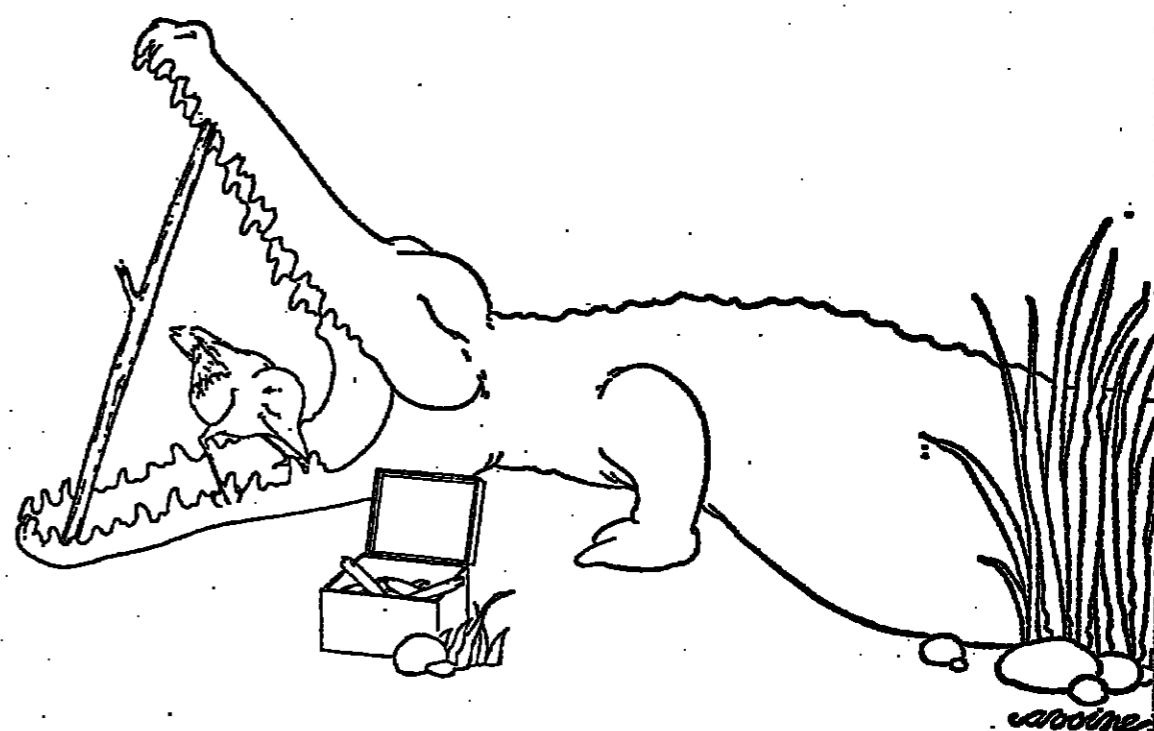
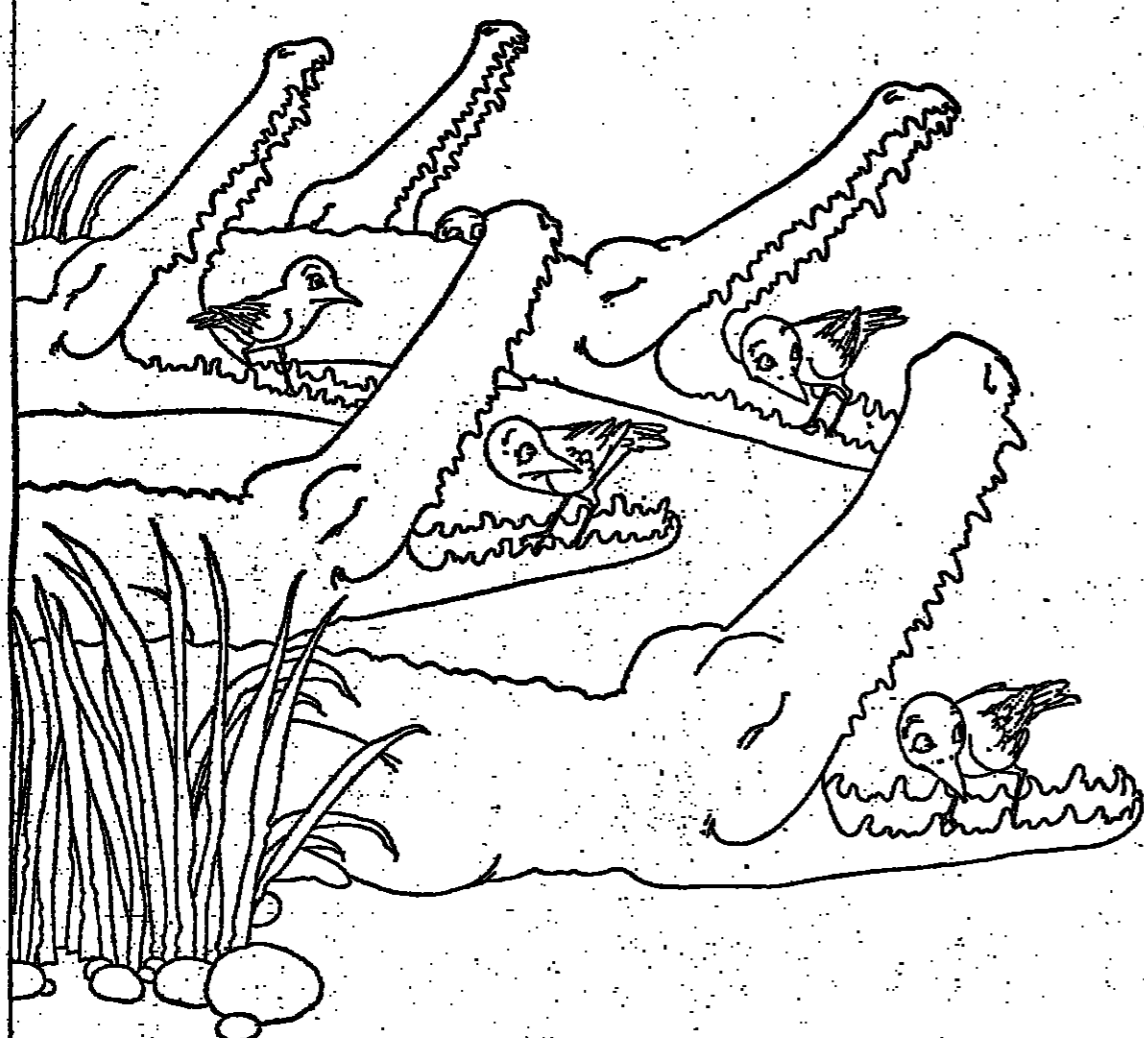
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BFCE

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Something new in the City.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

A 'Fair Day's Work' paves the way ahead

Nick Garnett analyses a major productivity deal at Perkins Engines

LIKE THE vast majority of engineering companies in Britain, Perkins Engines was faced last summer with the need to make a sharp cutback in output and employment. Unlike many of them, it decided against closing part of its plant, instead seizing the opportunity to negotiate a productivity deal which has not only increased shop floor flexibility, and reduced demarcation, but has preserved its output capacity for the long-awaited market upturn.

A straightforward cutback of capacity and employment would have meant a 1,000-man cutback in the 7,000 manual labour force at Perkins' Peterborough factory. Instead it cut 370 — all through voluntary redundancies — and achieved an increase in labour productivity of 13 per cent.

The relative smoothness with which the deal went through, in spite of opposition from the union shop stewards, obviously owes something to the fact that the shopfloor was made thoroughly aware of the more painful redundancy alternative, and that Perkins' owners, the Massey-Ferguson group, has been in dire financial straits. The shopfloor was also too aware of the impact of soaring sterling — 85 per cent of Perkins' output is exported — and of the domestic recession. But these were by no means the only reasons the deal was clinched.

Firstly, the management says that it was important to make members of the hourly-paid workforce realise it was not only they who were being picked on to provide the improvement, in terms of either harder work or fewer jobs.

Perkins has been attempting in recent years to improve the quality of its engines and its equipment, maintenance, and also its stock and component control. Much of this has come through the improved use of computers on assembly line maintenance programmes, an increase in the number of meetings between management and shopfloor on product quality, and trying to ensure that the correct tools, drawings and spares are where they are needed at the right time. This has largely been a management responsibility. Coupled with it has been a reduction of 320 jobs among office staff over the past year.

Secondly, though Perkins has suffered a considerable amount of labour unrest — including a serious pay strike in 1973 and a lock-out of management by the workers two years ago —

it says it has not been afflicted with either gross overmanning or particularly bad working practices.

Thirdly, and quite clearly connected to the last point, is Perkins' simple union structure. Unlike the rest of Massey-Ferguson, Perkins recognises only one union — the Amalgamated Union of Engineering Workers — for bargaining purposes. Almost all of the 160 shop stewards are AUEW members and the central union negotiating committee with which the company discussed the plan is composed solely of AUEW men. Grievances among members of other unions, such as the Transport and General Workers Union and the Boiler-makers are put in effect, through the AUEW-company structure.

Demarcation

The lack of inter-union demarcation lines, which have dogged attempts by other companies to improve efficiency on the shopfloor — has clearly been of major assistance in securing the deal. But there were nevertheless demarcation lines within the AUEW to overcome.

The breakdown of demarcation lines has not been unlimited; the management has made no attempt to induce assembly workers to carry out maintenance work on equipment. John Devaney, the manufacturing director, who first approached the union for a productivity agreement, doubts the value of their doing so given the practical need to maintain some skill-based demarcation when machinery is becoming increasingly sophisticated.

The ground for the deal was prepared by 20 small management-union groups, which last autumn examined work on a job-by-job basis at the site's four plants within a framework laid down by the company. After 11 weeks of shipyard negotiations the scheme was accepted overwhelmingly by the shopfloor, in defiance of a stewards' recommendation to reject, and went into effect in December.

Total gross savings on the annual wage bill as a result of the redundancies is about £5m — equivalent to the yearly expenditure on new equipment. From this must be subtracted the one-off burden of redundancy pay-outs, and the continuing though "very small" cost of upgrading 20 per cent of the hourly paid workers, which was

a major part of the deal in exchange for their altered working practices.

In addition to the straight cut in jobs and the upgrading, the deal also included what is known as the Fair Day's Work programme — a philosophy of harder work and greater flexibility, with specific elements related to hitting output targets.

The scheme covers eight specific areas, though the increased automation and greater flexibility of working practices have also resulted in manning cuts throughout the shopfloor.

On the engine assembly tracks, a whole layer of senior operators — 70 men known as "group seniors" — was simply removed. Their function was essentially to smooth the process of engine building and prevent production hiccups. Some of their work is very similar to that of a charge-hand (the level between a foreman and an operative).

The work of these men has been absorbed in two ways. Some of it is now shouldered directly by foremen. At the same time, the need for them has been reduced by greater use of data direct from the tracks, linked to greater use of electronic equipment to spot potential production problems — such as a developing parts shortage on a particular assembly line.

The slip-hand relief force was reduced by 91. These men covered during periods when an individual assembly worker left his place for a coffee or a wash.

The company managed to do this partly by obtaining agreement from assembly workers to be more flexible about when they left the track — ensuring that only a limited number of men were away from their station at any one time. This flexibility is part of the Fair Day's Work Programme.

It was also achieved by the introduction of "working through" on sub-assembly lines. An assembly operator working on engine head assembly, for example, used to carry out perhaps one or two parts of that operation. Now the more general practice is for men to work right through it.

The technical effect of this on the sub-assembly lines is not only to reduce the number of slip-hands but to put them onto the track for most of the time.

Greater use of assembly men to do rectification work on engines while they are under construction on the assembly tracks. There are now fewer



John Devaney, manufacturing director: the agreement which he helped to negotiate has already boosted productivity by 13 per cent

incidences of engines being taken off the track to await another worker to do the rectification work.

In the machining shops, 75 tool setting jobs were scrapped. This was made possible by requiring machine operators to do their own tool setting except on the most complicated machinery.

In many areas Perkins now employs only operator-tool setters, and has completely abolished the tool setting grade. Assembly workers now "sign" for every job they do, so the history of who did what on each engine can be traced. Devaney says this has been done to encourage greater pride in assembly work and not as a tool for discipline. But the system does allow management to discover the source of difficulties much earlier than it would otherwise have done.

Severe

Some groups, particularly those in the machine shops, are now required to meet output targets more consistently, again as part of the Fair Day's Work Programme.

In particular, machine operators are expected to work harder to recover lost time as a result of equipment failure. In some cases a machine breakdown is so severe that this is recognised to be impossible. This element of the deal includes a new output monitoring system.

The company secured a simple manning reduction in the stores area of 60 storemen, and 20 group seniors whose functions included assigning of

work and guidance on how that work was to be carried out. Greater flexibility among inspectors was introduced. The number of fixed inspection stations were cut and more inspectors were required to carry out their work "on the move" along the assembly line. The number of inspectors was brought down by 51 and group seniors by 18.

Clive Francis, the plant industrial relations manager, who was at the front end of the negotiations, claims the company was expecting more "bedding-in" problems, than it actually faced. Management says the changes were operating satisfactorily within a fortnight of their introduction in December, but it is recognised that it will only be put fully to the test when production capacity is stretched: at present Perkins is working a four-day week.

Perkins maintains that, even before the plan was agreed, it did not suffer from the kind of overmanning under which some UK companies labour. If that is true, its ability to shed such a slice of its workforce in this way is an indication of the state of the problem which is staring such companies in the face.

But there is a sting in the tail. Perkins argues that it would have to lift its total productivity by as much as a third above last year's levels if it were to counteract the effects of the strong pound and other disabilities such as high energy costs and get back on equal terms with its overseas competitors. So, even with the productivity deal under its belt, the company still faces a hard road ahead.

The dangers of dirty data

JOSEPH WEIZENBAUM is used to managerial abuse. So would you be if you went around telling managers they were spending money in a way which was incompetent, wasteful and downright dangerous.

Weizenbaum is professor of computer science at that temple of technology, MIT. Yet he has turned himself into what might be called a free-wheeling "computer environmentalist", warning that some time in the 1980s "we are going to experience an information catastrophe". Like the Three Mile Island nuclear accident or worse.

The basic problem, says this computer professor, is that most of the computer systems in the world are plain incomprehensible — not incomprehended or misunderstood, but beyond human understanding.

He does not just mean the awful American Air Defense System which in November 1979 indicated for six potentially earth-shattering minutes that a Russian submarine had launched several missiles towards the American mainland (such error-initiated nuclear alerts occur once a week in the U.S., according to Weizenbaum).

No, your friendly office or factory computer may be just as incomprehensible and — to your company — dangerous, he suggests. So many of the state's mammoth computer systems.

Weizenbaum says that "naïve observers" of the computer scene — the majority of us, that is — assume that computer systems are designed by a team of experts working to a set of specifications which are in turn derived from an explicit problem statement.

"Nothing about that image is true," claims the professor. There is often no explicit statement of the problem, other than that some process is to be automated and optimised. But "optimisation means optimising some parameters of the process at the expense of others."

Not only that, but when the process itself is ill-defined, parameters are hard to define with any precision. "It doesn't help much to say that a banking



Joseph Weizenbaum: "Complexity can be organised"

system should be profitable, or handle a maximum number of transactions per day, or be secure."

The reality of computer systems design, says Weizenbaum, is that "an ill-defined and ill-understood 'problem' is thrown at a team of people who might be called systems analysts, and whose chief obligation is to produce something that runs as soon as possible."

"The system is then developed by a process that resembles nothing so much as Darwinian evolution — almost random mutations stimulated by factors almost totally unrelated to the purpose of the exercise."

"When the system begins to stagger to life, the original team of authors has already been largely disbanded, assigned to other tasks, having left behind either no documentation at all or so-called documentation which is more complicated than the system itself. New a process of opportunistic growth begins to take place, with additional functions being added that have nothing to do with the original task."

Thus is the system "patched up," and rendered even more

incomprehensible than it was in the first place. The idea that one can always print out its programme, and thus tell what it is doing, is false, says Weizenbaum. A system is a product not only of its existing hardware and software, but also of its history.

The dangers arise as follows, according to Weizenbaum: instead of having systems which serve their sponsors' needs, human beings find themselves adapting more and more to the requirements of the system, with the result that they gradually lose control and also become dependent on it.

"The question then arises — often very urgently indeed — of how much confidence to place in the system's output."

To the hundreds of top managers who heard his thesis at this month's Davos Symposium of the European Management Forum, Weizenbaum appeared at least a flat-earthier, and possibly an on-and-out Luddite. Under interrogation, however, he protested that he was not advocating the destruction of computers. Instead "we should try to come to understand what it is we want."

The very fact that computers were complex did not mean that they need necessarily be chaotic, "complexity can be organised," Weizenbaum argued, citing a massive mathematical modelling system at MIT which was perfectly comprehensible because, unlike most computer installations, there was a theory behind it.

His most telling analogy was the experiment in which, for just a few seconds, chess masters were shown boards in mid-play. Several hours later, they could remember the pattern exactly. When the exercise was repeated with artificially set-up "play," they were unable to remember because the pattern was illogical.

"Computers are often a solution in search of a problem," the unrepentant Weizenbaum declared. "Sometimes a better solution would simply be to produce better rubber bands."

Christopher Lorenz



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STUDENTS of OPEC — its history, its influence on worldwide political and economic conditions, its impact on energy balances, and its concern for the plight of the Third World — can find much new source material in a number of recent publications. They include:

"OPEC Official Resolutions and Press Releases, 1960-1980," published on behalf of OPEC by Pergamon Press; £18. An unadorned catalogue of official OPEC documents published to mark the Organisation's 20th anniversary.

"OPEC and Future Energy Markets," Macmillan Press; £20. The proceedings of the OPEC seminar held in Vienna, Austria, in October 1979.

"OPEC and the International Oil Industry: A Changing Structure," by Fadhil J. Al-Chalabi; Oxford University Press; £5 (paperback). As Deputy Secretary General of OPEC, Dr. Al-Chalabi was able to provide an informed, but necessarily committed, view of the changing patterns of power in the world oil industry. He also looks at the interdependence of interests that exist between oil producers and consumers.

"Oil, Debt and Development: OPEC in the Third World," by Paul Hallwood and Stuart Sinclair; George Allen and Unwin; £15. This complex topic is tackled in a non-mathematical form. The authors conclude that while OPEC-led price rises have had an impact on the nature and direction of the Third World's economies, the consequences have not been as disastrous as had been widely foreseen.

RAY DAFTER

Company law

The title of the book reviewed by A. H. Hermann on Friday's Management Page was incorrect. It should have read: "ECI Business Guide—Company Law and Related Legislation of the European Communities."

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Building and Civil Engineering

Barrier work is worth £5.1m

FLOOD PREVENTION and work on the Barrier on the Thames Estuary is worth £5.1m to John Mowlem and Company.

The major award, worth £4.3m, involves raising the flood defences by 1.7 metres on average for a length of 825 metres on the north bank, from just downstream of the Woolwich Ferry and over the frontage of the former Harland and Wolff yard in Woolwich Manor Way.

This work, for the GLC's department of public health engineering, includes constructing new reinforced concrete floodwalls supported by H-section piles and steel sheet piles with horizontal restraints provided by ground anchors or tie bars and piled anchor blocks in appropriate areas.

Work has already started on the project which also includes

reconstructing existing slipways and providing temporary flood defences where necessary.

The second contract, worth £1m, is for the Port of London Authority and involves installing navigational aids for shipping in the area of the Barrier. These comprise six noticeboards and three audio installations at various points on both river banks from Purfleet to Rotherhithe.

Corrall's £2m job

THE RENOVATION and extension of a Georgian House at Harefield Place, Ickenham, is the subject of a £2m contract awarded to Corrall Construction by Estates and General Investments.

Following its completion (expected to take about 16 months) the property, together with a new semi-circular extension, will provide 30,000 ft of modern

office accommodation in a picturesque setting.

Work involves renovation of the main house, including extensive demolition (particularly of the roof and existing vaults) and rebuilding with much of the existing brick and stonework; a new complementary office block on piled foundations; extensive car parking; and the revitalisation of the grounds and lake.

Hunting Gate projects

A FREEHOLD office scheme valued at £1m in the centre of Basingstoke, Hampshire, is to be developed by Hunting Gate on a site previously owned by Portsea Island Mutual Co-operative Society.

The development at Sarum Hill, close to its junction with Winchester Road, comprises a three-storey block of 8,500 sq ft gross, 6,000 sq ft net. Specification includes central heating and air conditioning throughout, a six-person lift, tinted glass and car parking areas for 34 vehicles.

The company is carrying out the development in conjunction

with Commercial Union Properties with whom Hunting Gate is also jointly developing 18,900 square feet of offices at High Street, Crawley.

A new office development in conjunction with the Glispor Group concerns a prestigious site at the corner of Sheet Street and Victoria Street in Windsor, Berkshire.

Previously occupied by Windsor Motors, this will now realise 21,200 square feet gross with 10 luxury two-bedroomed flats adjoining the office development, which is estimated to have a completed value of between £4-5m.

£2.5m in new work for Tawse

ABERDEEN CIVIL engineering contractor, William Tawse, announces new contracts together worth £2.5m.

Included in these awards are a further section of the Megget water supply pipeline system for Lothian Regional Council (valued at £900,000) and construction of 700 metres of sea defence wall at Braighie, near Stornoway, for the Western Isles Council.

Other work is for Shell, British Gas and Grampian Regional Council.

Tarmac in Anglo-U.S. company

A NEW construction management company has been formed by an Anglo-American partnership and will be called Tarmac Schel.

This is the result of a merger between Tarmac Construction and Schel Associates Incorporated, of Chicago, one of America's leading construction management companies.

"The purpose of the company is to provide a professional construction consulting and construction management service, utilising Tarmac's construction expertise backed by techniques and support systems developed by Schel Associates," says Mr. Leonard Arnold, managing director of Tarmac Schel.

Fairclough busy in London and the North

WORK IN London and Lancashire is worth just over £2m to Fairclough Construction Group, and includes a warehouse development (value £1.5m) at Stag Lane, Hendon, London N.W.9, for the property arm of the Ladbroke Group, London and Leeds Investment.

There will be 12 warehouses in two steel-framed buildings, totalling over 60,000 sq ft, under a design and build contract for the development which will take about 40 weeks to complete.

A new transport depot for Blackburn Borough Council comprises a £500,000 award, and work has already started on land formerly used for tipping off Whitebirk Road, Intack, Blackburn.

Lawrence builds for NUPE

WALTER LAWRENCE and Son has won the £2.5m award to build the new National Union of Public Employees headquarters at Woolwich.

Work has now started on the new five-storey building, and the contract period is expected to be about 78 weeks.

Project manager is Anthony Brown Stewart, architect is Carpenter Farrer Partnership, quantity surveyor and consulting engineers are Ernest Green and Partners.

Lightweight guttering

ONLY one-third the weight of cast iron, yet ideally suitable for replacing guttering (or just those sections which have failed) in this material, is a range of pre-painted diecast aluminium guttering, available from Alumac, Burton Latimer, Kettering, Northants (053672 5121).

Delivery in a pre-painted state from the company's factory eliminates the cost of on-site painting, says Alumac.

Irrigation in Iraq for Binnie

THE PLANNING and design of the £455m Karkh water supply scheme for Baghdad was entrusted to Binnie & Partners which announces that it is now starting work on the review and approval of the detailed design of the works and electro-mechanical equipment.

This contract was awarded to the Westminster-based consulting engineer by a consortium of the State Contracting Company for Water Supply and Sewerage Projects and Continental Construction Limited, of New Delhi, India.

Binnie will also provide a team of experts to advise the Administration for the supervision of construction of the Karkh scheme, the first stage of which will add 200m gallons a day to the potable water supplies for Baghdad.

At the same time, Binnie will send a team of senior engineers to assist the Baghdad Water Supply Administration in the design review and supervision of construction of distribution networks in the city area.

The project has been awarded to a French consortium

(SOBEA) at a cost of £450m and will entail laying about 12,000 km of pipeline. Work involves the mobilisation of 14 members of the company's staff in Baghdad during the next few weeks.

Binnie has a long tradition of irrigation and water conservation work in Iraq and has just completed negotiations for the study and design of the 65,000 hectares Greater Mussayib irrigation scheme, a contract for which work is expected to be signed in Baghdad within the week.



IN BRIEF

- Tully Engineering of Newark has won a £1m order from the British Sugar Corporation for the fabrication and erection of about 1,000 tonnes of structural steelwork for a new sugar packaging plant and warehouse at Bury St. Edmunds, Suffolk.
- Three contracts, together worth more than £1m, cover the construction of flats, public house conversion and a service station, all won by Y. J. Lovell (Building).
- A newly completed shop and office development by Lesser Land at the Broadway, West Faling, has now been let to Westminster Press and Bejam.
- James Dewart and Son has won an £58,000 contract for alterations and extensions to existing kitchens at Poole General Hospital, Dorset.
- Demolition work has now begun at Redhill as a further step towards building the town's new multi-million pound town centre which involves a 1980's style traffic-free shopping precinct, new offices, large stores, a new bus station and civic hall. New roads to service the new complex will also be provided.
- Work begins immediately on the A24 Chapel by-pass in Surrey. Main contractor is Boyis, and the work involves building 3.5 km of dual carriageway between Beare Green and Clarks Green.
- Scott Wilson Kirkpatrick and Partners reports the imminent completion of swamp reclamation, concrete apron construction, and installation of piles for the terminal building foundation at Kota Kinabalu International Airport, Sabah, East Malaysia.

£2.5m jobs in Ghana

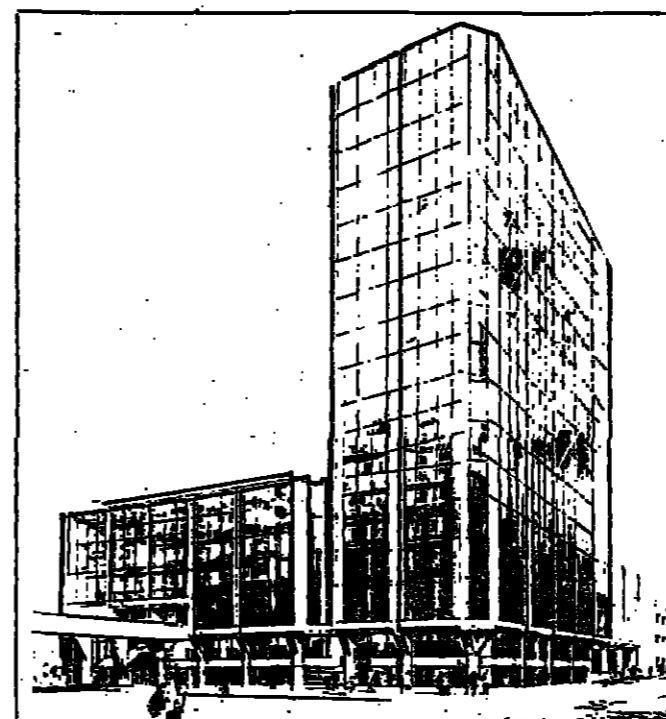
FOUR contracts in Ghana, together worth £2.5m, have been awarded to Taysee Construction, an Accra-based member of the Taylor Woodrow Group.

The largest, awarded by Stork-Amsterdam of the Netherlands and worth £1.4m, is for the Ghana Oil Palm Development Corporation. It covers the design and construction of a palm-oil mill and ancillary buildings together with roads, landscaping, pipelines, lagoons and fencing at Kwae Plantation, Kade. Completion is due in February 1983.

The Volta River Authority has awarded Taysee a contract worth £700,000 for building 10 bungalows and related external works at East Cantonments, Accra. Work is due to start in April, with completion next January.

A £260,000 contract for rehabilitating earthmoving and other plant and equipment on the Navrongo-Tumu road, near the £6.4m Tono irrigation project now being constructed by Taylor Woodrow International, has been awarded by the Ghana Highways Authority. Completion is due at the end of this year.

The fourth, valued at £123,000, is for the catering division of Ghana Airways. Involving the demolition of the existing kitchens at Kotoka Airport, Accra, as the first phase of a redevelopment scheme, it is scheduled to take three months.



Artist's drawing of Shire House, near Moorgate, in the City of London, a new office block being constructed for BP. Howick Partitioning of Redhill has won a contract worth nearly £1m to supply and install all the partitioning for Phase One of the project. Phase Two could be as much again, giving a total partitioning requirement of £1m.

Bryant wins five jobs

CONTRACTS TO a total value of £2.2m have been won by Bryant Construction, and include a £900,000 project for Ad-west Properties for the construction of a further phase of industrial and warehouse units on the Aerodrome at Woodley, near Reading.

Post Office Telecommunications has awarded a £180,000 contract for refurbishment and modifications to the 17 floor, and above, of its Midland regional headquarters building.

Work is starting on a £1m scheme for BL cars in refurbish and improve facilities in the Test House at the Anco's Green plant, and on a £415,000 shopping development at Kidderminster.

Following the destruction by fire of Taylor Jobbins' premises last October, Bryant is working

on the provision of a new warehouse and offices by June this year. Value of this contract is £1m, and the company has provided a total service.

Aldershot factory

A NEW industrial and warehouse project in Deadbrook Lane, Aldershot for Dimsdale Development (South East) will be constructed by Henry Jones and Sons (Portsmouth) under a contract worth £1.1m.

The project is on a 4½ acre site that was formerly a Buxted Poultry factory, and will now realise 76,000 square feet of space in 7,000 square feet units.

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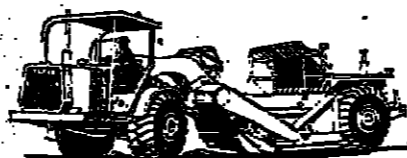
In this new leadership role, TEREX will continue to expand as a major force in the market-place.

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The most immediate evidence of the new TEREX will be a more aggressive stance and responsiveness to the needs of its customers and distributors.

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And anything the total group entity can use to support that direction will be available to TEREX.

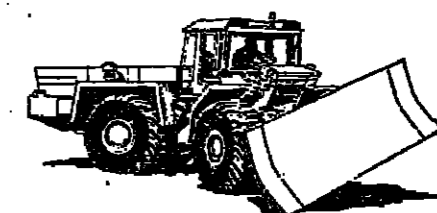


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Dietrich H. Esch
Chief Executive IBH Holding AG

WE'LL MOVE THE EARTH FOR YOU

ON SHOW AT THE INTERNATIONAL CONSTRUCTION EXHIBITION, BIRMINGHAM



12
LOMBARD

Time for new trade move

BY SAMUEL BRITTON

A PERIOD when the business news is dominated by items such as EEC moves to monitor sensitive Japanese imports, or British complaints about "unfair" textile competition from the U.S., may not appear to be the best time to launch a new trade initiative. The roots of the new protectionism lie so obviously in the domestic economic difficulties in the developed countries. These have been summed up neatly as "the shift from 5 per cent growth and 2 per cent unemployment to 2 1/2 per cent growth and 5 per cent unemployment", and in some countries unemployment is nearly twice as high as the slogan suggests. The temptation to make a scapegoat of foreign imports is all but irresistible.

But appearances can be deceptive. It is often forgotten that the successful Tokyo Round of trade negotiations was begun in 1973 and completed in 1979—a period which covered the first oil price explosion, the worst postwar recession to date and a major long-term check to growth and employment. Yet it succeeded not only in the tariff field, but in providing codes and procedures for non-tariff barriers, without which the world trade scene would be even more dismal than it is today.

There are still many interests which can be mobilised on the anti-protectionist side, but only if several issues are taken together as part of an overall bargain. If discussions are confined to a single group of products, such as those covered by the Multi-Fibre Agreement due for renewal this year, or steel quotas, the protectionist interest is bound to predominate.

The picture is transformed if several issues are considered together. There is a whole group of successful New Industrialising Countries (NICs) including Korea, Taiwan, Mexico, Brazil and others, some of which still impose hefty tariffs on industrial imports such as cars. If they offered to bring down their tariffs and restrictions and dispensed with "developing country" exemptions, they could have a worthwhile offer to make in return for free access to the markets of the developed world.

At present the main Japanese response to protectionist threats

is to establish manufacturing subsidiaries in the West, which will provide them both with bargaining counters and direct access to markets. But other action could also be taken to wipe out the idea that Japanese markets are closed to foreigners by unofficial silken barriers. It is suggested that Japanese officials could be "more gracious" on minor matters which have driven European trade officials to distraction. Political hints that domestic purchases of competing imports would be patriotically acceptable, are also said to be of real importance in the Japanese context. For their part foreign producers might be encouraged to take advantage of the detailed new GATT complaints procedures before rushing with demands for quotas on Japan.

The most encouraging aspect however of a visit to the trade organisations in Geneva are the signs that the developing countries' spokesmen, who have spent so long denouncing the market system, are now beginning to see its advantages when threatened with its loss at the hands of protectionist forces. If they now want to push in the liberal direction they have far more bargaining power than they realise.

The fact that reduced imports means reduced exports was dramatically driven home to the British Government which was forced to modify its stand on Indonesian imported textiles by the threat of cancelled engineering orders worth several times as much. If the Group of 77 developing nations, or even some of them, could act together against the quota threat, the Indonesian example could become the general rule.

European heads of Government and Foreign Secretaries frequently explain that they have to make many overseas visits to obtain export orders. Would it not be better for the developing countries to monitor the degree of free access for their products in different parts of the developed world and take this into account in awarding contracts?

The GATT secretariat is in a position to support new trade negotiations requiring more political subtlety than earlier tariff rounds. The need now is for a major initiative by statesmen from the industrial countries to set the process in motion.

Rebuff for court manipulation of the law's rigours

MANIPULATION by the courts—in the primary sense of a skilful operation—to mitigate the rigours of the law received a sharp rebuff from the House of Lords last week in *Chikuma v. Lord Bridge of Harwich*. The House of Lords, in a 3-2 decision, refused to allow the transfer of a commercial property to a transferee, on the grounds that the transfer was made for the purpose of avoiding the rigours of the law.

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THE WEEK IN THE COURTS

BY JUSTINIAN

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BIRDS NEST SWITCHED TO FONTWELL

BY DOMINIC WIGAN

BIRDS NEST, who has invariably found one or two too good for him in the Champion Hurdle—a race for which he has either started market leader or second favourite on three occasions—will be attempting to see his Cheltenham claims at Fontwell today.

The Turnell 11-year-old, who has been switched to the

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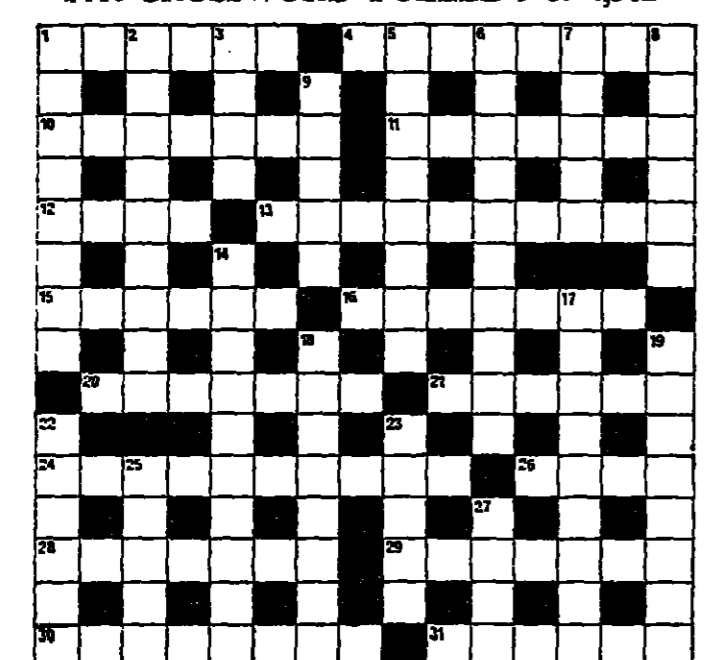
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TV/Radio

BBC 1
+ Indicates programme in black and white
6.40-7.55 am Open University (Ultra high frequency). 9.00 For Schools, Colleges, 11.25 You and Me, 11.40 For Schools, Colleges, 12.45 pm Regional News for England (except London), 1.45 News, 1.50 Pebble Mill at One, 1.55 Master Mind, 2.00 For Schools, Colleges, 3.00 When the Bough Breaks, 3.15 Songs of Praise, 3.30 Regional News for England (except London), 3.55 Play School (as BBC2 11.00 am), 4.20 Touché Turtle, 4.35 Jackanory, 4.40

Reinhold, 5.05 John Craven's Newsround, 5.10 Blue Peter, 5.40 News, 5.55 Nationwide (London and South East only), 6.20 Nationwide, 7.00 Triangle, 7.20 Star Trek, 7.40 Panorama, 8.00 News, 9.25 The Monday Film: "Cannon for Cordoba" starring George Peppard, 11.05 Film 51, 11.35 News Headlines, 11.40 in the Post.
All Regions as BBC1 except as follows:
Cymru/Wales—9.55-10.12 am 1. ysgolion; daearddiaeth, 1.45-2.01 pm Pila pala, 5.55-6.20 Wales Today, 7.00 Heddiw, 7.20-8.10 The Walls of Jericho, 12.05 am News and Weather for Wales.

F.T. CROSSWORD PUZZLE No. 4,502



- ACROSS**
- System of purposeful procedure to perform in a spasm (6)
 - Compact sealed with magic (8)
 - Resumé of decline in health (7)
 - Carefully study behaviour and obey (7)
 - Exploit article in official proceedings (4)
 - Support silver and a type of publicity (10)
 - Warning about start of breakage in chain (6)
 - A mother worker is unyielding (7)
 - Member joining friend within the eyes of the law (7)
 - Make one individual edition (6)
 - Additional part of wall outside university (10)
 - Time to return issue (4)
 - Unceasing and badly brought up (3,4)
 - Dare to give an opening to river (7)
 - Dismiss a book that could be a cracker (8)
 - Canal supplying food to you and me (6)
- DOWN**
- The French in check-patterned muslin (8)
 - Closely studies list for policeman (9)
 - Smooth metal (4)
 - Get away without notice in adventure (8)
 - Caution of irritation in the flesh, though briefly sailors follow it (5)
 - Fight doctor in outer garment (6)
 - Become entangled and growl (5)
 - Wheeled carriage around thoroughfare displaying mark on government property (5,5)
 - Catch a horse for a sum clear of all charges (3,6)
 - Struggle awkwardly with fish (8)
 - Tide rising with soldiers on ship and female reviser (8)
 - Help a substitute (6)
 - Save about a pound for ointment (5)
 - Thatcher's successor? (5)
 - Before the stake (4)
- The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

Scotland—11.00-11.20 am For Schools, 12.40-1.00 pm The Scottish News, 5.55-6.20 Reporting Scotland, 11.40-11.55 am News and Weather for Scotland, Northern Ireland—5.55-6.20 News, 6.20-6.30 News, 6.30-6.40 News, 6.40-6.50 News, 6.50-7.00 News, 7.00-7.10 News, 7.10-7.20 News, 7.20-7.30 News, 7.30-7.40 News, 7.40-7.50 News, 7.50-8.00 News, 8.00-8.10 News, 8.10-8.20 News, 8.20-8.30 News, 8.30-8.40 News, 8.40-8.50 News, 8.50-9.00 News, 9.00-9.10 News, 9.10-9.20 News, 9.20-9.30 News, 9.30-9.40 News, 9.40-9.50 News, 9.50-10.00 News, 10.00-10.10 News, 10.10-10.20 News, 10.20-10.30 News, 10.30-10.40 News, 10.40-10.50 News, 10.50-11.00 News, 11.00-11.10 News, 11.10-11.20 News, 11.20-11.30 News, 11.30-11.40 News, 11.40-11.50 News, 11.50-12.00 News, 12.00-12.10 News, 12.10-12.20 News, 12.20-12.30 News, 12.30-12.40 News, 12.40-12.50 News, 12.50-1.00 News, 1.00-1.10 News, 1.10-1.20 News, 1.20-1.30 News, 1.30-1.40 News, 1.40-1.50 News, 1.50-2.00 News, 2.00-2.10 News, 2.10-2.20 News, 2.20-2.30 News, 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THE ARTS

Covent Garden

Mayerling

It is easy to note certain obvious merits in Mayerling: a massive and rewarding central role; a brooding power that makes Rudolf's neurosis compelling; a series of duets that grandly delineate the complex psychological state. It is easy, too, to see how pedestrian front-cloth scenes—Franz Josef pausing before his ancestral portraits; Hungarian officers enmeshed, Polonius-like, in curtains—are dictated by the practical needs of preparing set-pieces on the full stage.

Less obvious perhaps is Macmillan's skill in making what must seem the impossible, in balletic terms, possible: how he has recreated the stuffiness of the Hofburg, socially and emotionally; how he has evolved a language—part dance, part recitative mime—which has both expressive clarity and poetic sensitivity. With Mayerling returned to the repertoire on Saturday night, its narrative energy seemed more than ever potent, and not only in those obvious effusions of passion and suffering which are the duets so central to our understanding of Rudolf's character.

Three scenes typify for me Macmillan's skill in advancing the narrative. When Rudolf visits his mother in her apartments, the Empress's ladies scatter at his approach, their merriment instantly dissipated; here follows a piercing interview which reveals the mother's chill distaste for her son's emotions and indicates how immature and deformed are Rudolf's feelings. Hands outstretched and then held back, Rudolf's childish turning of the page that the Empress is reading; his head plunged into her lap, and then his attempt to insinuate himself into her arms—all these are revelatory images. The trio at the Vetsera house is a scherzo of quick nervous effects: Mary's bubbling, girlish solo (superbly done by Lesley Collier) set against her mother's fond imagining (presented with warmth by Gerd Larsen) and the calculations of Countess Larisch

who in Merle Park's amazing portrayal, is a woman of *mondain* charm which never conceals the astute brain of the procress. There follows the birthday party for Franz Josef which is the centre of the ballet, with, as its core, Rudolf's motionless while Katherine Schray sings. Here all the strands of this complex web of sexual and dynastic intrigue meet. Against the heavy "official" presence of the family we see Elizabeth's liaison with "Bay" Middleton, the Emperor's affection for Katharina, Count Tasse's suspicious about Rudolf's garrison sympathies, Larisch's plans for Rudolf, as the fireworks burst, and Tasse is made the butt of one of those ponderous "jokes" that make such daunting reading in memoirs of 19th century court circles. Dominating everything else is Rudolf's suffering, revealed physically in his tormented solo, and no less powerfully stated by David Wall in his unassuming yet so very moving—pose as the song is sung.

In these passages the story is taken surely forward, and so is our feeling for the characters involved. Macmillan achieves this with exceptional variety of dance means and dramatic texture. We sense here his rejection of a traditional and polite view of ballet as a theatrical form. Dance as cinema, dance as history, seem improbable ideas; Macmillan shows them as credible propositions. In matter of performance let me salute once again David Wall's Rudolf, the corrupted victim, noble, terrifying in his unhappiness, and unforgettable; Merle Park's Larisch, with her worldly energies and her odd compassions; Lesley Collier as Mary, entirely *Osses*; Wendy Ellis as the butlerised Stephanie, suggesting a complacent dignity as we see her, pregnant at the Emperor's party; Monica Mason as Elizabeth, her emotions only unfrozen with "Bay" Middleton.

CLEMENT CRISP

Oldham Coliseum

A Majority of One

Joe Ashton, the Labour MP for Bassetlaw, has written a revealing comedy about British political life. It is set in and around the Government whips' office in the House of Commons in November 1976. The whips must get every single one of the 316 Labour MPs into the division lobby if the Bill nationalising the aircraft and shipbuilding industries is to be forced through. Mr. Ashton's theme, apart from anatomising a comparatively unknown aspect of British politics, covers the bruising, everyday spawdwork done by party loyalists keener on keeping their jobs than on saving the country. As one of the whips says, "Without us in the boiler room, those silly buggers at the dispatch box would have the ship on the rocks in no time."

What I like about the play, for all its crudeness and flaws, is Mr. Ashton's unsentimental view of his own world. As a piece about the workings of British politics it is set in and around the Government whips' office in the House of Commons in November 1976. The whips must get every single one of the 316 Labour MPs into the division lobby if the Bill nationalising the aircraft and shipbuilding industries is to be forced through. Mr. Ashton's theme, apart from anatomising a comparatively unknown aspect of British politics, covers the bruising, everyday spawdwork done by party loyalists keener on keeping their jobs than on saving the country. As one of the whips says, "Without us in the boiler room, those silly buggers at the dispatch box would have the ship on the rocks in no time."

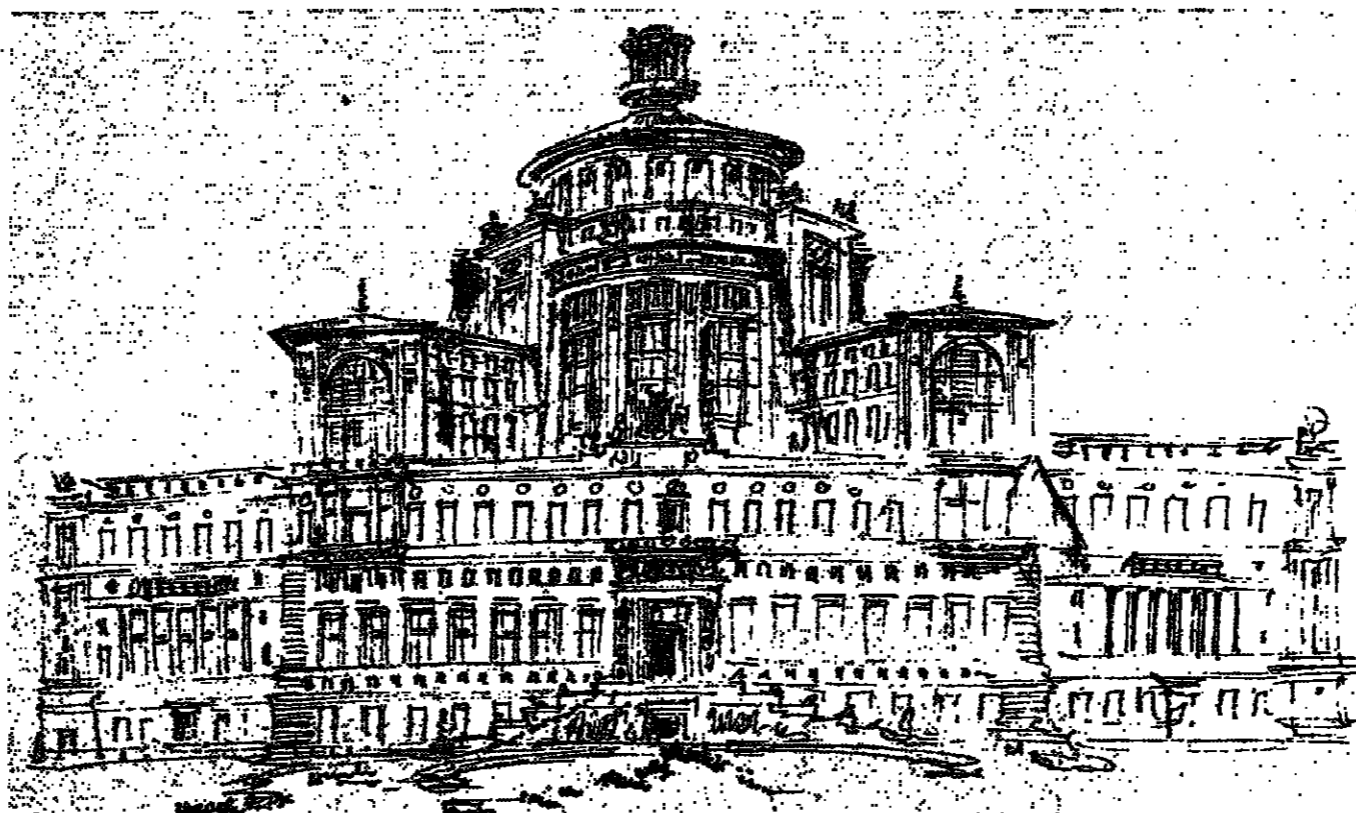
The play is flawed because it shows too obviously its origins as an unproduced television script. The control of the story line is less than perfect. But the majority of scenes serve an

illuminating purpose: we see the Opposition leader scenting the government's collapse and warning "pair" a stranded Northern Ireland member; the whips' office reminding the Home Secretary that his job is in danger if he doesn't do something about the MP stuck in Hendon police station after turning the bag green on the North Circular; and the Prime Minister reminding union leaders that he has promised nationalisation only in exchange for them keeping the pay claims down.

If the democratic process in Parliament takes something of a knock, only people who hold MPs in some kind of awe will be shocked. The Oldham audience on Saturday night roared its approval, but then half of them were MPs. Four seats had been removed in the front row so that Cyril Smith could occupy a reinforced sofa. The odd thing is that Mr. Ashton seems to share the popular contempt for his own breed, and is as interesting as the whole of William Douglas Home's output. It is also mildly alarming. The whips know that 300 members are solid. The unreliable 16 include drunks, lawyers and doctors for whom Parliament is a convenient hobby, and a Scottish stretcher case who opens the play by complaining that, after 20 years in public life, Nationalism suddenly wants to move all about him. He, along with the others, is being rounded up by the whips using fair means and, preferably, foul.

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MICHAEL COVENEY



Albert Richardson's design for "offices for a great city," drawn in 1923

Architecture

Tribute to Sir Albert

by COLIN AMERY

He was always known as the Professor. It was a title he acquired when he was teaching architecture at the University of London and it still suited him in his later years when he was President of the Royal Academy and a fierce fighter for the cause of beauty.

Sir Albert Richardson The Professor is the title of an enchanting memoir of the great architect by his grandson, Simon Houfe, that was recently published to commemorate Sir Albert's birth in 1880. It is written with a light touch appropriate for a man who was almost as famous for his eccentricities as for his architecture.

A mention today of Sir Albert Richardson is likely to bring back memories of the man who was always the complete Georgian: the man who lived at Avenue House in Ampleford, Bedfordshire, without any electricity, who travelled out to dinner in a sedan chair and wore wigs and clothes of the 18th century. He was all these things but he was also an important architect and a doughty fighter for the towns, villages and buildings of England.

Simon Houfe's book is not an architectural history. Indeed it does not tell us enough about the buildings that Sir Albert designed—the story of his archi-

ecture remains to be written. Instead it is a most readable account of the life of the man who lived by his artistic principles. These principles were formed early in his life and Houfe presents a delightful picture of the youthful architectural protégé visiting aunts in Clerkenwell who told him their memories of life in the reign of George III. Young Richardson was impressed and his eyes absorbed all the details of their Georgian furniture. He cycled as a young man all over the country looking and drawing and collecting from the life the details that would later appear in his own architecture.

His early architectural work was with Leonard Stokes and Thomas Verity and it was complemented by his writing and publishing activities. His great book *Monumental Classic Architecture in Great Britain and Ireland during the 18th and 19th centuries* remains the most complete on that subject. Like everything that Richardson did it is a combination of ebullience and observation.

In 1919 Albert Richardson moved to Ampleford where he had found his ideal home. Avenue House built in 1780 with a wing added in 1819 is the perfect Georgian house. Although it has iron railings on the street behind it has a small park filled

with trees and temples and fine sculptures.

Richardson filled the house with his collections: furniture, pictures and all the things he acquired in those far off salad days of the great country house sales. Avenue House was clearly the seedbed of his ideas. Like Voltaire he saw the importance of the well established home as the progenitor of artistic ideas. Simon Houfe rightly also praises the self-sacrifice of Richardson's wife who ran the large house without any electricity and a dwindling number of servants until her death in 1958.

There is not room in a review of this book to survey the architectural output of this remarkable man, but one building cannot be ignored and that is Bracken House, the home of this newspaper. Richardson was in his seventies when he was asked by his friend Brendan Bracken to design offices and printing work to stand on the magnificent site of one acre to the south-east of St. Paul's Cathedral. As the drawing above shows Richardson had, since his youth, developed strong ideas on the kind of buildings that belong in great cities. His vision was of a great brick and stone palace that would be a worthy neighbour to the cathedral.

The complicated brief for a

building that was both a printing works and offices inevitably led to compromises and as the editorial and management staffs of the Financial Times have grown the rooms designed for more spacious days have had to be altered and adapted. It is the façades of the building, the quality of the detailing of bricks, stone and bronze that make Bracken House a landmark of quality in a sea of mediocre and characterless concrete office blocks.

Richardson had in mind the great palaces of commerce of turn of the century Vienna and even Chicago. Anyone walking into the double height entrance hall through the fine doors under the astronomical clock must feel a frisson of pleasure despite the fact that much of the rest of the building presents a major challenge to the expanding needs of a growing newspaper.

Simon Houfe's memoir makes clear that although in many ways the Professor appeared as a reactionary his views were sound and provided a base for the now flourishing conservation movement.

Sir Albert Richardson The Professor by Simon Houfe is published by the White Swan Press of Luton at £6.95.

Olivier

A Month in the Country

by MICHAEL COVENEY

My abiding memory of the Prospect Theatre Company production of Turgenev's play seven years ago is, in fact, of two plays. An inner one acted out among the characters on Islayev's country estate and an outer one addressed to the audience in confidential monologue. The major success of Peter Gill's production—his first in what promises to be an exciting period at the National—is to find a natural, unforced style for Islayev, Berlin's new translation for the demands of the auditorium, and for the actors.

Mr. Gill's classical work at the Riverside Studios found a series of impressive solutions for that huge wide space. He now, no less impressively, allows the Olivier to do the work for him. The designer, Alison Chitty, has dressed the actors beautifully, and, more importantly, has given them an exciting stage area marked off by a large tilted flying piece of slatted windows. There is no more furniture than is needed: a simple bench for the garden shed and a fragment of white fencing in the fields, all surrounded by a white cyclorama on which the clouds go scudding discreetly by.

Islayev's wife, Natalya, is a monstrously difficult role. Here we have a listless, vain, melodramatically playful lady of the dacha who falls in love with her child's new young tutor from Moscow under the critically reprehensible gaze of a family friend, Raktin, who has himself been carrying a torch for Natalya for four years. She is an absurd, even unlikeable, creation who manipulates the affections of her teenage ward, Varya, in the most devious manner. The difficulty is that the expression of her emotional turmoil is cloaked in language of heightened self-dramatisation. She is funny. She is, in her predicament, reasonably sympathetic. And she is ruthless.

Francesca Annis gives a stunning performance, completely unfazed by the exag-

gerated mode of expression and fully able to deploy the range of a considerable vocal technique. She sounds, in short, absolutely marvellous, binding the private voice and its public sound in an effortless display of dreamily animated confession. She can also swoop splendidly into those outbursts of involuntary sarcasm that so annoy Raktin and then swing away to toy with the callow tutor, joshing him for his wooden response when she asks for his hand.

The other actors are just as good at embracing the audience in the process of stripping off the layers of emotion. Nicol Terry as Raktin is exactly right, modulating his laconic self-handness into the final unblinded declaration that all love is a catastrophe. Alan Ewan Stewart is as young and attractive as the play demands of Aleksei, Caroline Langerhans as Varya, like Aleksei, comes of age, notably in the course of the magnificent scene where Natalya tests her on her feelings about the boy and then proceeds to take off an extraordinary complex session of thinking aloud; she is in love, but she is too old; should she run to her husband; should she tutor leave, is there no other way...?

Around the play's centre are a splendid gallery of characters brought to life with minimal but telling brushstrokes. The old doctor is given a grotesque comic weight by Michael Gough in two striking scenes: first, where he lines up a recalcitrant bore (David Ryall) for Varya; and then when he plays an hilarious to-the-point proposal of practical marriage with an ageing spinster (Mary McLeod). The last ten minutes, with both of Natalya's suitors charging away from a scene of domestic confusion, is sheer delight, one great pay-off bawling on the other and ending with Islayev (Robert Swann) aiming a blow at his son's head and landing it full on the face of a regular and totally unthreatening visitor.

Globe

Rowan Atkinson in Revue

Remember all those ripping sketches we used to do in the end-of-term concert? Remember that chap in C company who imitated the vicar doing a wedding? Did you see the College Drama Society's revue at Edinburgh? Well, here it all is again, and topped by done by Rowan Atkinson.

Sometimes Mr. Atkinson is very funny—when, for example, he puts on his swimming pants without taking off his trousers, when he tries to explain that timing is the essence of comedy and can't time his line, when he does a news-bulletin for the deaf in absurd sign-language. At other times he treads too heavily in well-marked paths, though his technique, relying on my mind too much on facial

expression, gets him through them successfully. Occasionally, as when he is a schoolmaster calling the roll, he depends with misplaced confidence on the effect of funny names. He has too much belief in the ability of a punch-line to save a dull piece.

He got a tremendous ovation at the end of a 24-hour stint from the fans that packed the house, and good luck to him. But a lot of what we heard, we had heard before: this isn't so much a revue as a recital of old favourites. Indeed for me it was hardly a revue at all, for it goes on at the same pace all the evening, with little variety, apart from a couple of songs with exceedingly funny lyrics, one of which was sung by his composer Howard Goodall behind a screen.

I think it is a handicap that Mr. Atkinson has settled down to one-man shows so early in his life. (He is 26.) He lacks the extra zing that comes from playing comedy with others. There are moments, in the tedious point-by-point about the Senator's wife, for example, and in the trivial scene of boredom in the chapel that I thought would never end, when he seemed to be playing entirely to please himself.

I hope he was pleased; but I hope he will move into a scene where he does more than polish up old ideas.

B. A. YOUNG

Collegiate

Hérodiade by MAX LOPPERT

The University College Opera production of Massenet's *Hérodiade* (1881), given twice last week, afforded as enjoyable an example of student opera as I have encountered. The danger in reviewing it is a familiar one, that of expressing admiration for all the commitment, enthusiasm, and musical vitality on display, of making this *Hérodiade* seem of more elevated artistic stature than anything issuing from Bow Street or St. Martin's Lane. In fact, the flaws in Friday's performance were obvious, and are easily instanced—a shortage of violin tone in an otherwise strong student orchestra under Christopher Fifield; a style of acting, in Christopher Benshaw's production, oversteering melodrama, complete with long capes flung violently across staircases and much semaphored action (Hérodiade, in particular, swivelled her eyes like a Sue Eiley of the Holy Land), especially in the male sector of the young professional soloists.

It is easy to note the ways in which the opera reveals itself a precursor of the better-known *Thais* and the ways in which the earlier opera proves comparatively ill-finished—the store of limp melodrama seems to be used by the fourth and final act. Easy to note, likewise, even at this relatively early stage in the career of a born opera composer, the instinctive feeling for variety of colour and pace, for deployment of means (even the smallest of the six principal roles, the Roman pro-consul, gets his chance to shine), for the lie of words on a beautifully crafted vocal line—the work was sung in the original French, less perfectly on the whole, than might have been feared (with especially clear delivery by Philip Dugan's tenor Baptist and Gillian Sullivan's Salomé). The evidence of careful preparation beyond the reach of most student ventures was given by the confident way cast and chorus took to Robin Don's handsome, very cleverly worked single set, because it, even such potential nonsense as the

setting of Herod's first big scene in a sort of Levantine massage parlour lost their power to irritate.

Of the cast Miss Sullivan was the most complete performer, a glowing actress with a true, well-formed soprano of heartening directness (her big air given in a programme full of hilarious misprints as "Il est doux, il est bob," was a moment of "real" Massenet singing). But I admired the ease and vibrancy (if not the occasionally impure emission) of Phyllis Cannon in the grandly dramatic mezzo-soprano title role, and Mr. Dugan's valiance in a role lying heavily upon his light tenor. Christopher Blades, whose baritone is filling out nicely, was Herod, Roger Bryson the Chaldean sage Phanuel, and Omar Ebrahim the Roman Vitellius. University College Opera has explored widely and interestingly since 1951, and this latest addition to its repertoire was fully worthy of the best standards previously reached.

AS HE CROUCHED there, towed in hand, part of the small army of volunteers, mopping up the remaining moisture from the surface of the synthetic court on a low platform above the grass, Mr. Malcolm Fraser, Prime Minister of Australia, looked up at the nearby TV camera and, the battery of cameramen who had materialised from nowhere, and smiled. There were jeers from the cynics among the 11,500 spectators packed into Kooyong's famous centre court in Melbourne who saw the gesture as a cheap publicity stunt. But there were cheers, too, from the tennis fans who were eager to see a resumption of the third confrontation in three days between the two best tennis players in the world, Bjorn Borg and John McEnroe, who were competing for a gold racquet worth A\$50,000 in the 1981 Benson and Hedges Gold Challenge.

Not since 1974 had world champion Bjorn Borg set foot in Australia. Then, as a youth of 18, he had come to Kooyong for the Masters Tournament and lost. He had yet to learn his craft on grass.

Since, with five consecutive Wimbledon titles, five French crowns and two Masters successes, he has conquered the tennis world, with the exception of the U.S. Open and Australian championships. It was the Melbourne-based impresario Paul Dainty, 34, who saw the commercial possibilities of bringing Borg to Australia. In 1973 he had persuaded the tennis authorities to lease him the Kooyong stadium for the visit of the Rolling Stones. The three rock concerts attracted 45,000 fans and netted the Victorian Tennis Association a handsome income.

A self-confessed tennis fanatic, Mr. Dainty has seen every day of play at Wimbledon since 1973 and two years ago tried to match Borg and Jimmy Connors in head-to-head matches in Australia like the "heavyweight" clashes Connors contested against Laver, Newcombe and other opponents at Caesars Palace in Las Vegas some years ago.

The sudden rise of McEnroe as Borg's natural challenger allowed Mr. Dainty to set up the three-match tour as a TV package on Kerry Packer's net-

work, with Benson and Hedges as the main sponsor.

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For the record, Borg won the first two matches in straight sets, devastating 6-0, 6-4 on the opening night, and an equally impressive 6-2, 6-4 the second evening.

After such humiliation McEnroe was thankful to find something like this true form in Melbourne to win the rain-interrupted match 6-4, 1-6, 7-6, 6-4.

The significance of these matches is not so much in the results themselves (Borg leads 9-6 in their meetings since November, 1978, in Stockholm where McEnroe became the first younger player to beat him) as in the threat to the established tournament game posed by these exhibition tours.

The Men's International Professional Tennis Circuit is having no more success than its amateur predecessor, the Inter-

Rowan Atkinson

Leonard Burt

Rowan Atkinson

RUGBY by PETER ROBBINS

Chance to admire latent skills

AFTER THE petrified drabness of the earlier internationals it was a great pleasure and relief to be at Twickenham for the Calcutta Cup.

Relief not just for the 23-17 English victory but for the level which, at international game, has seemed hell bent on self-destruction.

At last a chance to admire skills that have been lacking on both sides and with them a warming spirit of chivalry. When rugby is played in such a spirit and at such a pace it is a superb player and spectator sport. Of course, there were many errors, but if errors were not made tries would not be scored.

Amid unimaginable excitement Scotland led 17-16 with just four minutes of play left. A daring and almost desperate pass, a middle from Slemen to Carleton, and England's new fly-half scored the try to round off his international debut. Here's final penalty put England beyond recall but the lead had changed hands six times before Scotland were finally beaten.

Unfortunately Jeavons, the new flank forward, had to leave the field after only 12 minutes.

He was replaced by Hesford, England began unsteadily, being unable to control the ball at the scrum or at the back of the line out. So, Smith had some bad possession but, to his credit, he took the hammer and looked after Davies. Significantly, later on when Scott began to control the ball better Smith operated much more sensibly.

Davies, replacing the injured Hogg, had an unforgettable match. He was into the game early and then his confidence expanded as he assessed every situation calmly before choosing the correct option.

His progress has been remarkable and at last England have a fly-half who looks in command because he brought out the best in Woodward and Dodge. Woodward scored an amazing try but twice passed poorly when under pressure. There seemed a different sense of purpose and freedom with Davies at fly-half and this was also reflected in the wider roles that Slemen and Carleton played.

They have contrasting styles but both actively looked for work rather than waiting for the ball. Mike Davis must be congratulated on this freedom and also in the way in which he has deployed the three-quarters in

defence. Unfortunately, Hare again gave rise to serious Scottish givings. He kicks goals but it is terrifying to see a full back let the ball bounce. Luck was very much on his side on Saturday but I believe Rose will have to be considered for Dublin.

Much has been written in praise of Beaumont and his leadership, but his display on Saturday rivalled that against France last year. He is so extraordinarily unselfish in what he does, so deft at the flat, quick throw-in.

One of the key areas was in the contest between the two back rows. Scotland had plundered everything against Wales but on Saturday they also were very constructive. Beattie was a handful when he broke

loose but it is the return of Leslie that has given Scotland's game a new dimension in support and defence. Calder is a perfect complement.

Against this collective work it was the England flanker Cooke who was the most outstanding individual. He was quickly up on Rutherford's sweeping move to the left which led to Slemen's try on the right. Not even Neary could have done better. For all this, the England back row play as a unit was not as effective as Scotland's.

Scotland can rarely have played better when losing. In fact, this is one of the best Scottish sides since the war and Rutherford, slightly hampered by Laidlaw's rather laboured passing, exercised enormous control.

Intelligently fashioned Munro's second try. It was his kicking that kept Scotland in touch and he also had the creativeness of Renwick and Robertson in reserve. He called on those reserves selectively but what really hampered Scotland was Irvine's erratic game. He could catch very little and when he came into the line he was far too well marked to be effective.

TENNIS BY JOHN BARRETT

Showbiz tours must be restricted

AS HE CROUCHED there, towed in hand, part of the small army of volunteers, mopping up the remaining moisture from the surface of the synthetic court on a low platform above the grass, Mr. Malcolm Fraser, Prime Minister of Australia, looked up at the nearby TV camera and, the battery of cameramen who had materialised from nowhere, and smiled. There were jeers from the cynics among the 11,500 spectators packed into Kooyong's famous centre court in Melbourne who saw the gesture as a cheap publicity stunt. But there were cheers, too, from the tennis fans who were eager to see a resumption of the third confrontation in three days between the two best tennis players in the world, Bjorn Borg and John McEnroe, who were competing for a gold racquet worth A\$50,000 in the 1981 Benson and Hedges Gold Challenge.

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The significance of these matches is not so much in the results themselves (Borg leads 9-6 in their meetings since November, 1978, in Stockholm where McEnroe became the first younger player to beat him) as in the threat to the established tournament game posed by these exhibition tours.

The Men's International Professional Tennis Circuit is having no more success than its amateur predecessor, the Inter-

national Lawn Tennis Federation, in preventing the exploitation of their reputations by the leading players.

Certainly there is a place for showbiz tours but they must be restricted to the free weeks set aside by the MPTC. The players need the tournaments to establish their reputations in the first place and should not be allowed to damage the fabric on which the world game is built.

Certainly a player has every right to play as many exhibition tours as he likes but he should not expect, at the same time, to be able to pick a mere handful of prime events in which to appear. There is such a thing as obligation to the system that produced you.

In return the MPTC must divide the grand prize competition into two players—the championship group of, say, 15 ranked players must contest, and a second group, which would number some 80 events at present.

Meanwhile the Australian tennis public left no doubt in anyone's mind about the popularity of the game and its leading performers.

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X-axis: Years (1978, '77, '78, '79, '80)

Legend:

- merchandise trade (dashed line)
- current account (solid line)
- BIS reserves (dotted line)
- travel (dash-dot line)
- other services & transfers (solid line)

Notes:

- seasonally adjusted annual rates
- interest & dividends (shaded area)

service sector. Even now, the bustling activity in the centres of Toronto and Montreal does not bear out some of the tales of economic woe told about Canada.

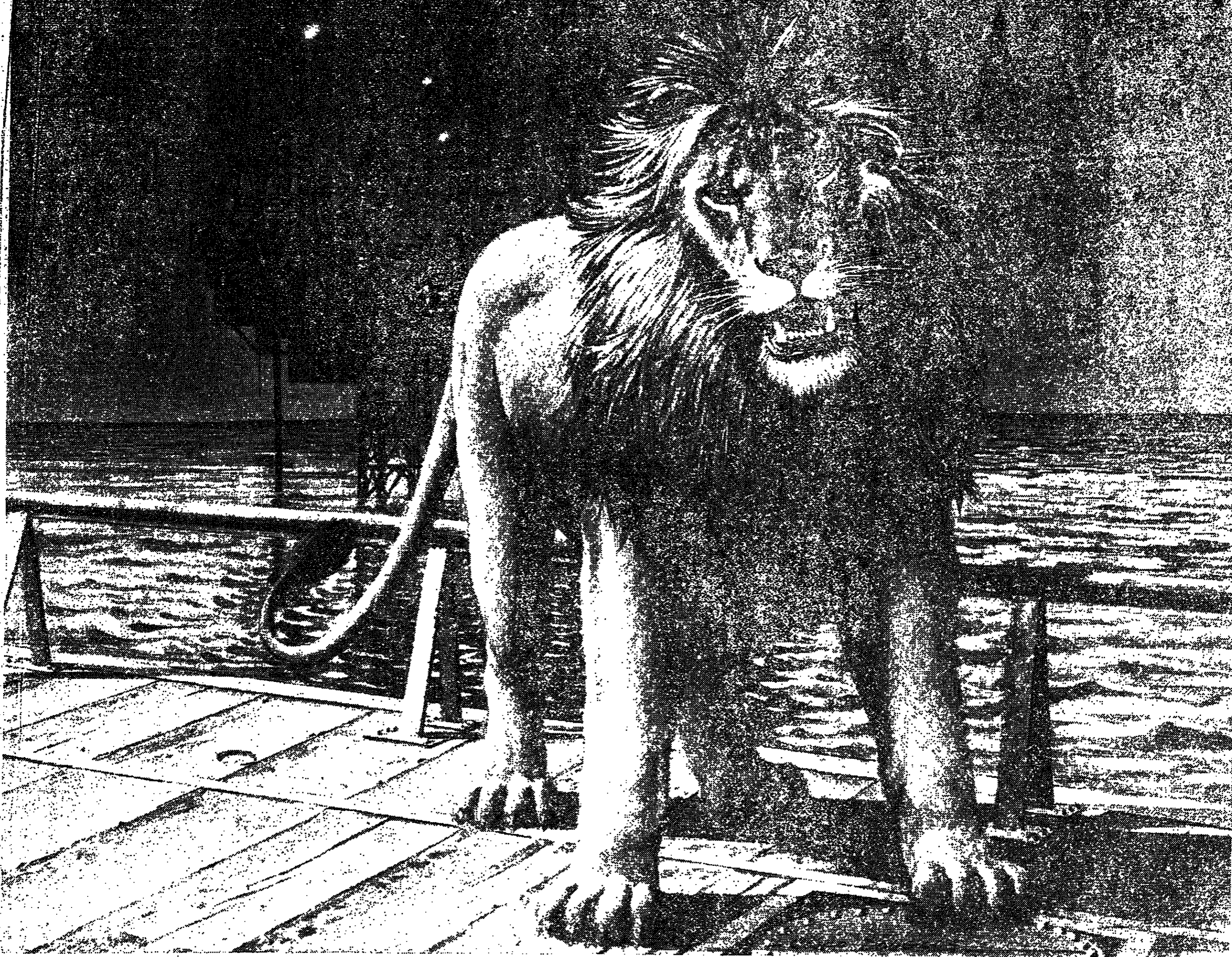
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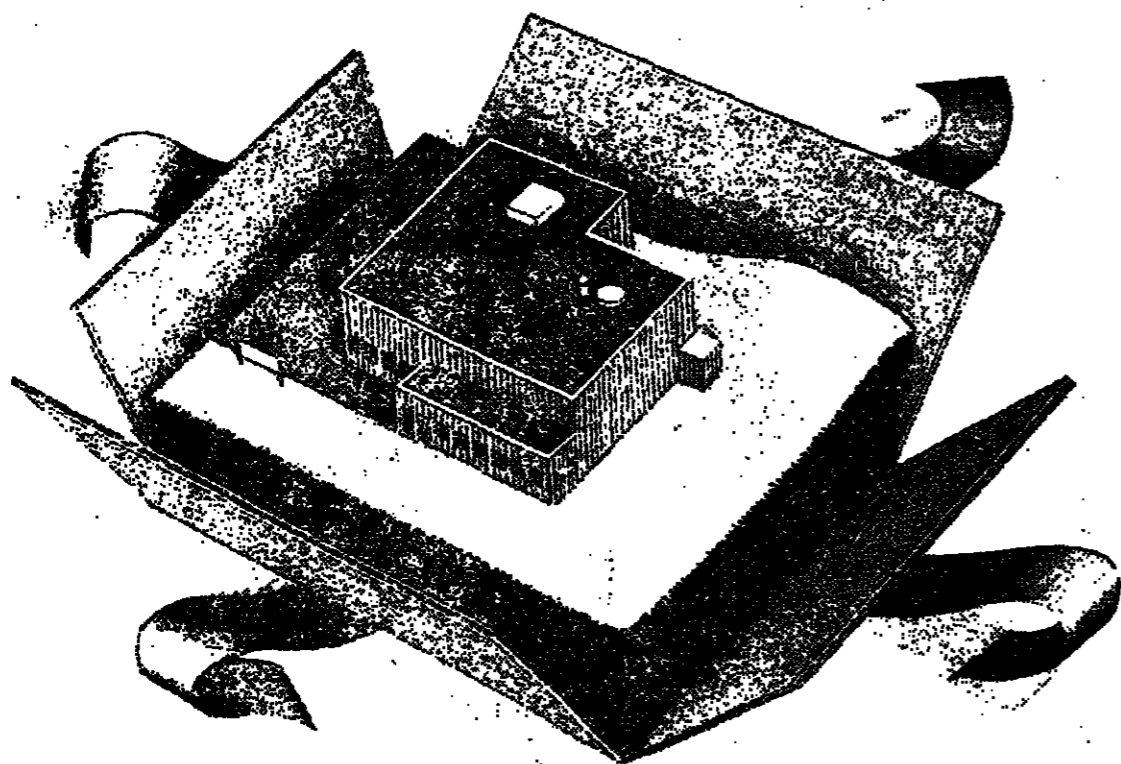
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Trudeau's battle royal for sovereignty

MR. PIERRE TRUDEAU, the Canadian Prime Minister, is fighting a two-front war to make Canada fully sovereign in law as well as in fact by giving it mastery over its own constitution. As a relic of Canada's colonial days, the British Parliament still has to approve fundamental constitutional change in Canada: Mr. Trudeau wants the Westminster parliamentarians to cede that right to Canada.

Agreement is pretty well universal that the change should be made. But Mr. Trudeau's proposals go a good deal beyond a mere "patriation" of the constitution and have run into stiff opposition from at least six and probably eight of the 10 Canadian provinces. They feel that Mr. Trudeau is using patriation to increase the powers of the Federal Government in Ottawa at the expense of the governments of the provinces. Only Ontario and New Brunswick have sided with him.

The second front upon which Mr. Trudeau has to fight is the British. The British Government, clearly, is anxious to avoid being involved in what is a purely Canadian quarrel. But tempers began to run high when the select committee on foreign affairs of the British House of Commons came to the view that the Canadian Government had no right to demand that Westminster must act automatically provided the Canadian Parliament requested patriation. The committee held that a measure so profoundly affecting the balance of power between federal and provincial powers must enjoy support from the provincial governments.

Mr. Trudeau has stirred up this hornet's nest with two aspects of his proposals: the method by which he wants Canada to be able to amend its constitution, once it has been patriated; and the incorporation into the package of a Bill of Rights for Canadians. Most of the provinces, as well as the Progressive Conservatives, the official opposition at Ottawa, argue that Westminster is being asked to impose things for which Mr. Trudeau has insufficient support in Canada.

POLITICS

W. L. LUETKEN

The Charter of Rights has aroused opposition on the grounds that it opens the danger of the courts impinging upon the sovereignty of parliament and of the legislatures of the provinces which is so very much part of British and Canadian constitutional tradition.

In practical terms the argument about the amending formula is more than a lawyer's field day. Once a formula has been agreed, it will no longer be possible to argue that constitutional change requires the unanimous consent of all the provinces. That case has been put forward, though it is at least debatable both in the light of law and of precedent. When an amending formula is in force, individual provinces will find their bargaining positions weakened in other matters dear to their hearts.

For instance, Mr. Peter

Lougheed, the doughty Premier of Canada's main oil producing province, Alberta, has said that he will not concur with patriation until he has an agreement about the future pricing of oil. (That subject is dealt with in the energy article of this survey.)

Mr. Lougheed is taking his stand on the present Canadian constitution, the British North America Act of 1867, as since amended, which makes the provinces masters of their natural resources. But Ottawa is in charge of international and inter-provincial trade, and has in the past used that as a lever to force Mr. Lougheed into compromises on the price and taxation of oil and natural gas. The provinces now want a say in trade to safeguard their position in what is a quarrel about many billions of dollars.

Six of the provinces have decided to ask the courts whether Mr. Trudeau may go ahead with his plans. They lost the opening round when the Manitoba Appeal Court decided that Ottawa had the right unilaterally to amend the constitution. The case is sure to reach the Supreme Court of Canada. Should that court take the same view as the majority of the Manitoba court, the position for the British would be greatly simplified.

The truth of the matter (as has been recognised by Sir Anthony Kershaw, chairman of the Westminster select committee) is that there is a legal and a political side to the question. The political side includes both the British reluctance to be dragged into a Canadian domestic quarrel, and Mr. Trudeau's determination to use his majority in both Houses of the Canadian Parliament to pass his package and forward it to Westminster for what he says should be automatic approval. Government strategists hope to have the request passed

Squabbles over major oil targets

COMPARED with those of most other industrialised nations, Canada's energy problems are minor. The country is a net exporter of energy and has substantial reserves of oil, in conventional onshore fields, offshore and in oil sands deposits. Temporarily, at least, it has a surplus of natural gas for which there is no domestic or export market. It has coal, uranium, wood and hydroelectric power.

In its simplest terms the problem is a net deficiency of about 25 per cent in oil (currently around 425,000 barrels a day) which, if no action is taken, will steadily increase as consumption rises and production from existing fields tails off.

It was this gap which ostensibly provided one of the main reasons for the National Energy Programme, announced by the Federal Government in October.

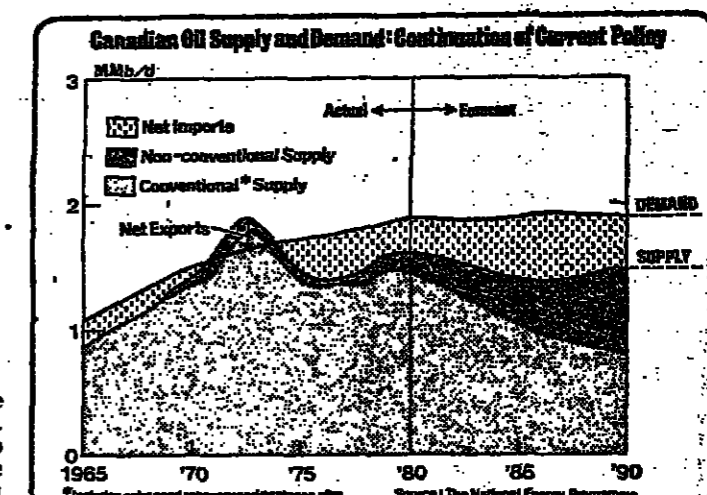
The ambitious target set by the programme was the achievement of oil self-sufficiency in Canada by 1990. A series of incentive measures were proposed which would encourage exploration and production in hitherto under-exploited areas, such as the North and offshore waters of the Arctic and Atlantic. Enhanced recovery of oil from existing fields and the development of the oil sands deposits with their estimated 200bn barrels of reserves were also to be encouraged.

The aim was to stimulate production from other sources almost to compensate for the decline in output from conventional fields. At the same time C\$3bn was to be invested in encouraging the use of energy sources other than oil and cutting overall energy consumption by the domestic and industrial sectors.

So far so good. Had the energy programme stopped there it might have won widespread approval and support. But two other major objectives—which some observers say rank above the self-sufficiency goal—have triggered damaging disputes between the Federal Government on the one hand and the producing provinces (led by Alberta) and the oil industry on the other.

In the words of Mr. Marc Lalonde, the Federal Energy Minister, the programme also sought to use a new system of pricing and revenue sharing which would "recognise the requirement of fairness to all Canadians, no matter where they live."

In practice this means reducing substantially the share of oil and gas revenues taken by the governments of the producing provinces and by the



some companies say will reduce cash flow by 20-30 per cent and give the industry a much smaller share of total revenues than the 33 per cent claimed by the Government. The new energy programme rejects world prices as arbitrary and artificial, and proposes instead a step by step increase for conventional oil which would reach a maximum of 55 per cent of the world price.

Hostility has also been provoked by the third major objective of the energy policy: Canadianisation.

ENERGY

RAY PERMAN

The Government's stated aim is to build up Canadian ownership and control of the oil industry through cash incentives to Canadian companies exploring in new areas and by refusing permission for oil finds in the north and the Arctic to be put into production unless there is 50 per cent Canadian ownership of the producing company.

The policy has already had an effect. Dome Petroleum, one of the largest independent operators in Canada, has formed a new Canadian affiliate to qualify for the new incentives. At the same time the State oil company, Petro-Canada, which is also specially favoured under the policy, has been enlarging its operations by the purchase of the Canadian sub-

siary of Petrofina of Belgium. What angers the industry is not only Petro-Canada's voracious appetite—it is said to have more targets in its sights—but also the fact that these purchases will be partly financed by a levy on oil and gas sales.

If it soon to get a perspective on how effective this policy really is. Critics say that the Government is merely hastening a process that was already firmly under way and that, in spite of Mr. Lalonde's expressed concern to see Canadian control as well as ownership, many of the changes that have been made or are planned are little more than cosmetic.

The industry has been threatening to transfer its rigs to the U.S., where President Reagan's decontrolling of energy prices has made the financial climate very much more attractive.

The rigs probably will go south (although there is no sign of lessening Canadian drilling activity yet), at least for a time. But the longer term prospects for Canada with its 3.8m square miles left to explore look good, particularly for the footloose part of the industry, the small and medium Canadian-owned companies which can profit from the incentives.

How soon that return can be expected to be on prices and taxes, companies have already expressed publicly their readiness to compromise, but the Government has yet to respond.

CANADIAN TRADE BALANCES IN ENERGY COMMODITIES (\$m)

Year	Petroleum products†	Natural gas	Coal and coke	Electricity	Uranium	Total
					Ores, etc. topes, etc.†	
1970	129	201	-135	22	26	183
1971	172	244	-83	37	18	382
1972	344	299	-90	59	40	666
1973	647	343	-9	103	64	1,155
1974	1,045	438	-84	170	51	1,589
1975	171	1,084	-160	91	51	1,136
1976	624	1,607	-13	153	67	2,332
1977	1,065	2,025	-66	362	75	3,451
1978	1,199	2,190	-8	477	207	4,055
1979	557	2,889	-184	728	379	4,059

† Includes non-energy products.

Source: Statistics Canada—Merchandise Trade.

CANADA V

Mixed feelings about new era of Federal status

AFTER SIX YEARS of discussion and debate and some of the most intense lobbying the Canadian financial community has yet seen, the new Bank Act has finally reached the Statute Book. It brings a new era to Canadian banking.

The Act has generated much heat and controversy. Yet its main provision—bringing the Canadian subsidiaries of foreign banks under Federal control—will probably have little practical effect on the day-to-day operations of the banks—certainly not as much as the last Bank Act in 1987 which removed the ceiling from interest rates.

Under previous legislation foreign banks were forced to register under provincial law, and denied some of the benefits accorded to the main Canadian banks, as well as the use of the description of "bank" or "banking." Now they may apply (and the Government will expect the largest to apply) for Federal charters.

Applications are expected to take at least six months to process and between 50 and 60 banks are expected to apply for chartered status, compared with only 11 Canadian chartered banks at the moment.

The move will open Canadian banking to much wider competition, yet it has been greeted with mixed feelings on both sides. Although some Canadian banks with extensive overseas operations themselves, such as the Royal Bank of Canada, and the Bank of Nova Scotia, were active in pressing for the foreign banks to be brought under the Federal umbrella, others, like the Toronto Dominion Bank, had serious misgivings.

Foreign participation in Canadian banking—one of the few successful industries which is almost entirely in Canadian hands—has been a sensitive subject since the early 1960s when the attempted take-over of the Mercantile Bank of Canada by Citicorp of New York provoked the introduction of Federal restrictions on foreign ownership. Some Canadian bankers view the new Act as a step on the road to the end of Canadian domination of its

own domestic market.

Yet the Bank Act is also meeting with mixed reactions from the foreign banks themselves. Most see the achievement of Federal status as desirable, although the tangible benefits are minor.

With the granting of a Charter, Canadian subsidiaries of foreign banks will be able to use the word "bank" in their titles and to engage in retail banking with full branches, although it is unlikely that many will want to do so, concentrating instead on the less labour-intensive wholesale field.

They will also be able to solicit deposits, although Mr. Mostyn Lloyd, president of Barclays Canada, believes that most will not do so, preferring to continue funding themselves through the Canadian commercial paper market. "We will be going to the same well, but we might be using a different bucket," he comments.

BANKING

RAY PERMAN

There are, however, some disadvantages which worry the foreign banks. As chartered banks they will be required to deposit reserves with the Bank of Canada (the Canadian central bank), in effect immobilising part of their assets. This will mean that banks have to earn between 1 and 2 per cent more on their lending in order to make up the loss of earnings on the central deposits.

The reserve requirement removes a competitive advantage from the foreign banks which has irritated the Canadian banks. But there is a further restriction in the legislation which concerns the foreign banks more.

The new Act permits them to grow only to 8 per cent of the total assets of the Canadian banking system. Estimates vary on how restrictive this is going to be.

The assets of the foreign banks already in Canada have grown very rapidly over the last few years (more than

doubling in the last two years) and now stand at more than C\$85bn, compared with C\$44bn represented by the 8 per cent limit.

With other banks which do not now have offices in Canada wanting to come in, some bankers are concerned that the ceiling will prove to be unduly restrictive. Others believe that the biggest of the foreign banks have been deliberately building up their Canadian assets to use the 8 per cent limit to crowd out any further competition.

These factors have led some people to suggest that some of the largest foreign banks may not apply for chartered status. But Mr. William Kennett, the Inspector General of Banks, foresees no such problem.

"Government policy is quite clear. If a foreign bank wants to operate here it must do so under the Bank Act. We have been talking to all the large foreign banks for some time and that has been made clear to them. We have no indication of anything but full co-operation in this regard."

The Bank Act also calls for reciprocity in the treatment of Canadian banks abroad, although there are only a few countries which have retaliated against the hitherto restrictive Canadian legislation by allowing only representative offices.

Mr. Kennett returned from Japan at the beginning of the month after concluding an agreement which will allow an initial exchange of five banks on either side. He also visited Hong Kong, which anticipated the new Canadian legislation by allowing Canadian banks to establish full branches there.

Switzerland has also been demanding that its banks be allowed to open affiliate banks in Canada before it permits Canadian banks to upgrade their representative offices in Zurich. The banking community hopes that those restrictions will now be relaxed without the need for State to State negotiations.

The Bank Act has also given considerable advantages to the so-called near-banks—the credit unions, co-ops, popular banks and the trust companies, which the provincial governments have

jealously guarded as being under their jurisdiction rather than subject to Federal regulation.

Over the years these institutions have expanded their operations so that many of them offer a virtually full range of banking services from deposit taking to commercial lending.

Yet being provincially rather than Federally regulated they are not required to deposit reserves with the Bank of Canada, giving them a lending rate advantage. In addition the Bank Act restricted the activities of the chartered banks in some areas where they compete with the near-banks, such as leasing, data processing and securities operations.

The effectiveness of the near-banks in lobbying politicians on the Bank Act has forced the chartered banks into a counter-strike aimed at the review of the Trust and Loan Act, which restricts the activities of some of the near-banks and is due for amendment this year.

"We were forced to the view that we must comment on other financial institutions' legislation because everyone else was leaping on the Bank Act," says Miss Candice Craddock, of the Bank of Nova Scotia.

The Bank Act allows near-banks to become, for the first time, members of the Canadian Payments Association, the body which operates and regulates the clearing system. The smaller near-banks will probably prefer to continue to clear their cheques through one of the chartered banks, but those that are organised into federations will want to clear on their own behalf.

Membership of the association will also give them a say in planning the next stage in the development of the clearing system—complete automation. It is some years away but the banking community is already thinking hard about how it should be organised and controlled.

An initial suggestion from the federal government that it should run the system met with a very cool response from the banks, which look suspiciously at any increase in government involvement in the industry.



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Pattern of falling profits

WITH 1980 already known to have been the year that produced the largest underwriting loss in recent history, insurance companies in Canada see little hope of an improvement in 1981.

The insurers say that the 1980 underwriting loss could be in excess of C\$500m. Although it will be offset by strong investment income gains fed by rising interest rates, profit margins are narrowing and this pattern has continued into the new year.

While industry investment income reached C\$566m in the first nine months of 1980, only about 50 to 60 per cent of the total was earned from insurance operations, mainly interest income from claims reserves and unearned premiums. The result is inevitable: many companies will end the year at break-even at best.

Lured by high interest rates, the underwriting rule-book has been put aside as insurers battle to attract and retain business, increase cash flow, and maximise investment returns. But with premiums rising by only 5 per cent and claims costs up more than 12 per cent, investment gains are proving to be a flimsy basis for business.

In addition, the Canadian market has attracted additional offshore insurers and reinsurers, adding to existing capacity sur-

plus. Mr. Daniel Damov, president of Travelers Insurance, notes that, with investment income running at around 14 per cent of written premium income, the industry ended 1980 with pretax income from all sources at the 3 to 4 per cent level, "an absolutely terrible return."

He expects the overall trade ratio for 1980 will be around 110 per cent, with a range of 109 to 112 per cent. On the hopeful side, premium increases in motor and house insurance implemented in the 1981 first quarter seem to be taking hold, while some firming of commercial insurance rates is currently evident.

Inflation is the key to future underwriting results, he said. If the inflation rate is in excess of 10 to 11 per cent, the rate most businesses have used in their planning, premium rates are unlikely to keep pace. If this happens, the results, instead of improving, will be at the same level as in 1980, or may deteriorate even further.

Motor insurance, which accounts for about 50 per cent of the Canadian market, remains the most volatile problem area. According to the latest six monthly survey by the industry-wide Insurance Bureau of Canada, the cost of vehicle repair parts increased

by 10 per cent in the 1980 first half and by 21.9 per cent over the corresponding period in 1979.

Faced with these statistics, Mr. Jean Robitaille, president of Royal Insurance of Canada, said the underwriting loss in 1981 could even exceed last year's, since the industry "is obviously unwilling or unable to move prices up in line with inflation."

INSURANCE

LAWRENCE WELSH

As a result, he said, the possibility of an underwriting recovery in 1981 had already gone. "Action on the pricing front was inadequate in 1980 and there is no reason for claims costs to go down in 1981. Companies are in the unwelcome position of having to pay these losses in 1979 dollars. Any movement toward an improving climate can only come in 1982."

With the possibility of premium revenue gains largely up in the air, insurers are straining to reduce operating costs, said Mr. John Lyndon, IBC president. "Industry executives say it will probably take another two or three years to reverse

the currently bleak performance, because recent rate increases cover only part of the rising increases in claims costs. Until premium revenue catches up with costs, more effective cost control measures will be a priority item in 1981."

Mr. Norman Curtis, president of Guardian Insurance of Canada, said that the general feeling in the industry is that rates should start edging up, but the reluctance of the major insurers to implement increases because of competitive and cash-flow considerations has blocked any sustained movement in this direction.

He foresees a possible "major shakeout" over the next 18 months, with a number of companies cutting back capacity and several offshore insurers withdrawing from the market.

While Canada has had no recent insolvencies of licensed insurance companies, there have been examples of poorly financed companies, while others have strained their financial resources in the thrust to place new business and cash flow on the books. There are also concerns about business placed through offshore unlicensed reinsurance markets where solvency could be a problem.

Mr. Richard Humphrys, federal superintendent of insurance, said there are "always companies that give some concern and we are closely in touch with a handful on a continuous basis to assure ourselves they are operating at comfortable levels."

The Department of Insurance also plans to revamp operating and capitalisation requirements, and to review the whole reinsurance question to bring certain provisions of the Insurance Acts into line with current marketing conditions. The revisions will be introduced "probably by next autumn," he said.

In the reinsurance field, Mr. Richard Willemssen, president of Sterling Office of Canada, noted that reinsurance results tended to follow the pattern of the primary insurance companies, but were usually a little worse. "Reinsurers do have some limited possibilities to improve their position and such negotiations have taken place for the 1981 reinsurance renewals. However, increased reinsurance capitalisation has been created by the arrival in Canada of additional reinsurers within the past year or two and this has lessened the reinsurers' ability to bring about the needed improvement in their terms."

As a result, the overall picture for reinsurers in 1981 is still gloomy and underwriting losses will be severe, Mr. Willemssen said.

NEWFOUNDLAND CANADA

"Petroleum industry officials have estimated the off-shore reserve potential, in recoverable terms, to be 16 billion barrels of crude oil and 71 trillion cubic feet of gas. Market analysts have deemed this to be the world's number 1 off-shore play. The North Sea, by comparison, has an estimated reserve of 24 billion barrels."

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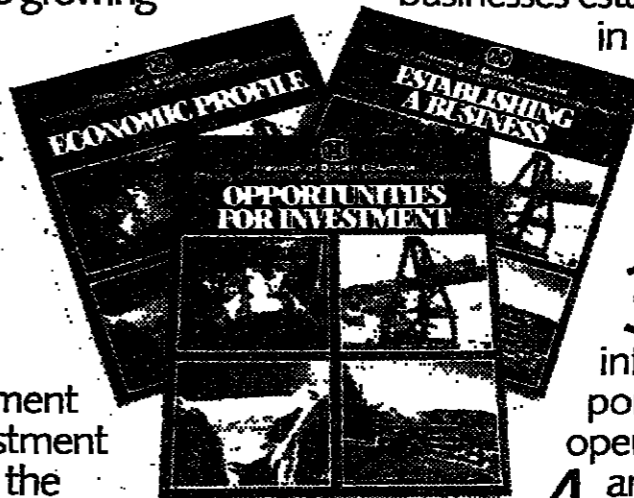
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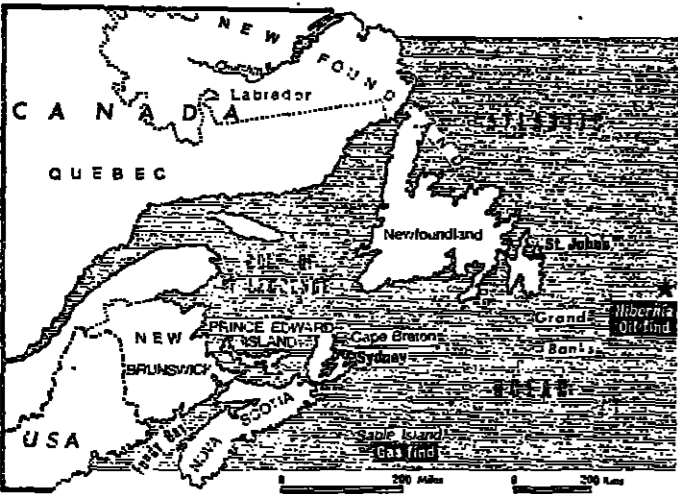
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Mr. Brian Peckford, Premier of Newfoundland. Mr. Peckford blames delays in the development of the Atlantic provinces' energy on constitutional differences with Ottawa. (Below) the Atlantic provinces' offshore oil and gas finds



Politics the barrier to a bright future

The provinces' performances are reviewed on this and the next two pages

CANADA'S GOAL of energy self-sufficiency by 1990 offers the Atlantic Provinces the prospect of a decade of unprecedented economic development. But first they must get through a period of political turbulence and the adverse effects of the current recession. As a resource-producing area, the region has been less severely affected by declining demand than some other parts of Canada—although other related stresses, such as labour unrest, have taken their toll, particularly in Newfoundland.

The short-term economic outlook is for recovery and growth. The biggest increase will be in Newfoundland, which should more than recoup production losses suffered through lengthy work stoppages last year in the iron ore and fisheries industries. With real growth of 3.5 per cent, it is expected to lead all other provinces this year. Elsewhere in the region, performance will range from about 1.5 per cent in New Brunswick to 2.5 per cent in Prince Edward Island.

Of much greater importance, however, is what may happen in the long term. If the national energy self-sufficiency objective is to be realised, the region should already have embarked

on billions of dollars of oil, gas, hydro-electric, shale oil and coal developments—not to mention such mega-dollar investments as the Bay of Fundy tidal power development.

But some of these projects—and other non-energy-related industrial developments—are stalled or have not yet begun, partly because of inaction by the Federal Government.

At least two of the four East Coast Premiers blame this on differences between the provinces and Ottawa on proposed constitutional changes. Newfoundland's Premier Mr. Brian Peckford has accused the Federal (Liberal) Government of deliberately stalling development assistance agreements with his province in order to punish it for its opposition to some of the proposals.

His fellow Conservative Premier in Nova Scotia, Mr. John Buchanan, does not go quite that far, but says that by its preoccupation with matters constitutional, the Federal Government is overlooking vitally important economic issues. As well as commitments in support of provincial energy policies, Mr. Buchanan has been trying, so far unsuccessfully, to get Federal backing for a C\$55m marine industries park at Dart-

mouth and a C\$350m modernisation of the money-losing Sydney Steel Corporation mill. Without immediate assistance, he says, it is unlikely that the steel mill will be able to continue beyond the end of the year.

New Brunswick, which has been an ardent supporter of Mr. Trudeau's constitutional proposals, has not fared demonstrably better than other provinces in the region in gaining Federal economic support.

ATLANTIC PROVINCES LYNDON WATKINS

But the decision-making vacuum does seem to be a factor in impeding the more rapid development of new coal mines in Nova Scotia and the start of the long-proposed C\$4.3bn Lower Churchill River hydro-electric project in Labrador.

The Cape Breton Development Corporation, a Federal agency, is part-way through a C\$44m underground evaluation of substantial, recently identified coal reserves in the proposed Donkin Mine, off

Sydney, Nova Scotia. It is also undertaking a C\$50m redevelopment of an existing mine there.

But with the Province committing over C\$500m to the construction of new coal-fired generating stations to replace current reliance on costly imported oil and meet the projected growth needs of the late 1980s, Mr. Buchanan wants an assurance from Ottawa that it is prepared to invest C\$500m or so in the development of a new 3m tonnes a year coal mine in Cape Breton. So far he has failed to get this assurance, although Deputy Prime Minister Mr. Allan Rock, a Nova Scotian, has expressed Federal confidence in the future of the province's coal industry.

Coal is essential to Nova Scotia's oil conversion programme and to the stabilisation of power costs. Officials of the Nova Scotia Power Corporation have warned that supplies necessary to meet even the (1984-85) period requirement could be "extremely tight" and longer term needs can only be met by the development of new mines.

There are few doubts about the practical justification for the proposed Donkin Mine. This large offshore coalfield has seams up to 16 ft thick, containing both thermal and metallur-

gical grade coal. Their development will almost double Devo's current production and output could reach 11m tonnes by the early 1990s.

Mr. Buchanan has said that the province, which owns the leases, may turn to private coal developers if a Federal commitment is not forthcoming. Already talks have been held with at least one large U.S. concern, Consolidated Coal Co.

No matter how the issue is resolved it seems certain that Nova Scotia will provide an expanding market for mining equipment in the years ahead. However, potential suppliers in Britain, West Germany and the U.S. have been told not to expect orders unless they are willing to provide local value-added content in the assembly or part manufacture of the machinery in the province. At least two have already agreed to establish plants for Nova Scotia as well as for wider North American distribution.

The hold-up in the Labrador power project is more complex. It involves not only delays in Federal funding commitments but the seemingly intractable problem of power transmission rights through neighbouring Quebec and the one-sided sales agreement with Hydro-Quebec for the output of the existing Churchill Falls station.

Premier Peckford would like Federal assistance in resolving these problems and in covering the six and a half year construction period of the Lower Churchill project. Dr. John Collins, the Newfoundland Finance Minister says the economics of the project are not in question. Markets are assured in the U.S., construction would create badly needed jobs and the investment would add a full percentage point to the Gross Domestic Product.

For the Federal Side Revenue Minister Mr. William Rompkey, a Newfoundland MP, blames the delays on the short-lived Conservative administration in Ottawa and says most of the present accusations are politically motivated.

However, the showdown that seems likely to take place this year about the extent of East Coast oil and gas exploration is clearly linked to Federal policies.

Eleven rigs operated in 1980 and up to 15 were expected this year following the big Hibernia oil find off Newfoundland and the less spectacular but equally interesting Sable Island gas find off Nova Scotia.

Both are close to a development decision but neither seems likely until the question whether offshore resources

belong to the provinces or the Federal Government and the oil price war between them has been resolved. Both are facets of the larger constitutional question affecting resource ownership, taxation and management.

Hibernia and Sable Island activity will undoubtedly continue this year and Petro-Canada may step in to fill other gaps. But it is obvious that the oil industry generally is marking time until some of these issues are resolved. Shell Canada, which has cut its exploration budget by 25 per cent, plans to re-enter the frontier exploration scene in 1982 after an eight-year absence. But so far no definite commitment has been given by such companies as BP, Chevron, Gulf Imperial or Texaco. As a result drilling will be confined to between six and 10 rigs.

This is not because of a lack of interest in the discoveries. The Newfoundland Government recently estimated there is a 50 per cent chance that its offshore lands contain 10bn barrels of oil and 60,000bn cubic feet of gas. That would put them at roughly half the proven oil reserves of the North Sea and slightly in excess of the known gas reserves there.

Enormous problems are likely to be encountered in producing from such a hostile marine environment. However—at least as far as Hibernia and Sable Island go—these are not insurmountable. Mobil is about to put preliminary development proposals for Hibernia to the Newfoundland Government, showing how it will deal with such physical threats as storms, pack ice and icebergs.

It is likely to suggest the use of a floating production platform, fail-safe quick-release wellhead risers and a floating self-propelled storage reservoir feeding a fleet of shuttle tankers.

While the find is less than 200 miles offshore, pipe-laying is expected to be ruled out because of the danger of damage from a grounding iceberg. Up to 1,600 a year invade the oil discovery area.

The only satisfactory way of dealing with them so far devised is towing. A Jules Verne-like sonar-equipped torpedo is being developed which will automatically attach lines to icebergs that threaten rigs or production platforms.

It could be one of many imaginative results of a decade of energy-related economic development in Atlantic Canada. But first the political problems have to be solved.

Priority given to reducing oil consumption

THERE IS no more graphic illustration of the shift of wealth and power that is taking place in Canada than the change in fortunes of Ontario, the industrial base of the country, compared with those of the "nouveau riche" provinces of the West.

For many years Ontario was a contributor to the equalisation fund used to distribute income from the "have" to the "have not" provinces. Now it finds itself entitled to a hand out—even if it has not yet received anything.

Politicians from the Liberal and National Democratic Parties, currently campaigning for the provincial elections of March 18, have made much of the fact that the economic growth rate of Ontario now lags behind badly in the league that it once led. It is a comparison which sheds little light on the present economic state of the province, but nevertheless it is a strong political point in Ontario, which needs to maintain a fast growth rate—recession or not—to provide jobs for its expanding labour

force.

A birthrate boom in the post-war years has given the province exceptional workforce growth: 3.4 per cent a year through the last decade, compared with 3.2 per cent for Canada as a whole and 2.3 per cent for the U.S. The "social imperative" of creating work, as Mr. Bryne Purchase, economic adviser to the Ontario Treasury, describes it, colours the economic policy of the provincial government, which has been remarkably successful in maintaining jobs and output growth despite two major U.S. recessions in the past five years.

The Progressive Conservative Party, which has held power in the province for 38 years—the last five as a minority administration—is committed to a high employment programme, despite its determination to hold back the mushrooming public sector. In a so-called mini budget, introduced last autumn with a forthcoming election clearly in mind, the Ontario Treasurer, Mr. Frank Miller, cut C\$260m from sales

taxes in order to boost consumer demand—particularly for motor vehicles—an important manufacturing sector. This appears to have worked, since unemployment fell in the province towards the end of last year and Ontario has still to feel the full force of the recession in the U.S. market, on which it depends so heavily.

The mini budget was followed in late January (in the week

ONTARIO RAY PERMAN

before the election was announced) by the announcement of a five-year economic plan. Premier William Davis priced the package at C\$1.5bn, although only in the small print did it emerge that he wants half this bill footed by the private sector and is also looking for Federal Government support.

The strategy envisages aid to shipyards, setting up an advanced technology centre for the motor industry, a micro-electronics development centre, improving ferry and rail services, bringing forward a plan for a new nuclear power station, and a whole series of measures aimed at reducing oil consumption in the province. Oil is the biggest blind spot in the provincial economy and the Davis Government—which polls suggest will be returned with an overall majority—knows that unless it can reduce consumption substantially its economic future will be hostage to those who control the oil price.

The five-year plan calls for the electrification of commuter rail lines and for subsidies to municipalities which change their transit systems to electric power in an effort to use some of the 3,000-4,000 MW spare capacity in Ontario's coal and nuclear power stations. The province's oil and gas bill, estimated at C\$6.3bn a year at the moment, will rise to

C\$11.5bn in 1985 under the price rises proposed in the Federal Government's energy programme. But if the extra generating capacity can be fully utilised there will be a fuel cost saving of C\$465m at current prices, or C\$890m in 1985. Larger savings would result from further substitution of low-cost nuclear power for high-cost oil.

The cost of oil played a part in Ontario's swing to the Liberals in the Federal election last year and is part of the reason why Mr. Davis, despite his apparent political differences with Mr. Pierre Trudeau, supports the Federal Government's gradualist policy on energy prices rather than the Conservative opposition's faster rate of price increases.

In the short term there is little Ontario can do to redress its negative oil balance, or escape from the slump in demand in its main markets in Canada and the U.S. Both provincial government and independent forecasts indicate that it will be towards the end of



Mr. William Davies, Premier of Ontario

1981 before there is any real prospect of an upturn. But Ontario's strong spread of industries and its good productivity record look encouraging for the future.

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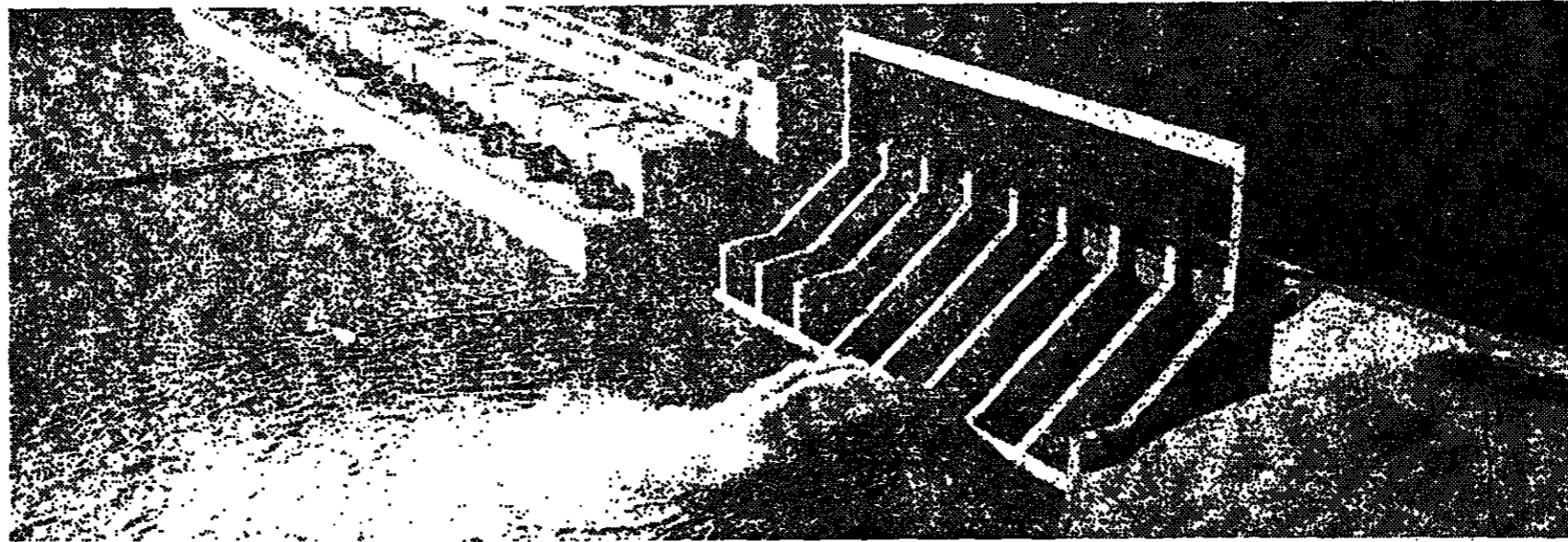
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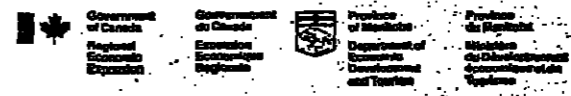
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New sense of purpose puts Liberals ahead

QUEBEC is gearing up for a spring election. After losing a referendum on sovereignty for Quebec on May 20 last, Mr. René Levesque, the Premier, and his Parti quebécois decided against an election in the autumn, postponed by the constitutional plans of Mr. Pierre Trudeau, the federal Prime Minister.

For the Parti quebécois, Mr. Trudeau remains the arch-enemy. The federal Liberals hold 74 of the 75 Quebec seats in the federal House of Commons. By waiting until spring, Mr. Levesque hopes to reap advantage from the constitutional debate, and the refusal of the Ontario Premier, Mr. William Davis, to accept French as an official language in his province's courts and legislature, supposed federal obstructionism against Quebec's economic development, and the language issue in Quebec.

The Parti quebécois won power in November, 1976, with a promise of "good government" and moved to assure peace for French in Quebec. Bill 101, passed in 1977, declared French the only official language in Quebec, and a special agency was set up to supervise its application, even in the field of business. All public signs, from the smallest grocer's to large department stores and industrial plants, now sport their principal signs in French. In Montreal the central and anglophone areas have acquired a distinctly French veneer. The Levesque Government made exceptions for head office operations of large national and transnational corporations based in Montreal and also for certain industrial operations where English is the international technical language.

Not only did the Government lose the referendum by a substantial overall margin, it also ran out of reformist zeal and has failed to come up with a new programme for the coming election. Some ministers have left in disagreement because of policy differences, or because they felt the referendum question was too soft. It asked merely whether the voters were ready to authorize the Government to negotiate sovereignty with Ottawa, provided a form of economic asso-

ciation remained with the rest of Canada. Despite making attempts to maintain unity and a commitment to the ultimate goal of independence for Quebec, the Government has not been able to stem local dissatisfaction, strikes among public sector workers, problems in the schools, and high unemployment in construction and in some regions.

A revived Quebec Liberal Party under Mr. Claude Ryan, formerly director of the most respected French Canadian daily, has been working hard at the grassroots and has been ahead of the Parti quebécois in recent polls. The party has rebuilt its electoral base, not

QUEBEC

ROBERT GIBBENS

without controversy, but with a new sense of purpose despite difficulties in developing a coherent outlook on the constitutional and language issues.

Mr. Levesque's position in the constitutional argument is that the federal Government has no right to patriate the Canadian constitution without prior agreement with the provinces on an amending formula. He, and at least five other provincial premiers, oppose Mr. Trudeau's constitutional package and argue that his Bill of Rights infringes on provincial rights in education and property.

In the campaign, Mr. Levesque is arguing that Mr. Trudeau wants to reinforce Ottawa's centralist tendencies, and that his Bill of Rights will take away all the gains won for the French language in Quebec. He accuses Mr. Trudeau of selling out the aspirations of French Canadians living in other provinces in return for the support of Ontario on the constitution.

Mr. Ryan has to be careful in opposing the form of Mr. Trudeau's repatriation package, in order not to alienate anglophone and ethnic voters in Montreal who are by tradition Liberal. But he also has to reckon with some quite strong anti-Trudeau feeling in his own party. He has a tightrope to walk on the language issue,

since he has to appeal to anglophones while appealing French opinion that gains won for the French language must not be watered down.

Debate continues within the party whether all anglophone immigrants should be allowed to send their children to the state-financed English-language schools, or whether that right should be restricted to Canadians coming from other provinces and anglophones already living in Quebec. Bill 101 restricts the right to the existing anglophone community of Quebec, refusing it to other Canadians except when transferred for short periods.

In an attempt to prevent financial difficulties becoming an issue, Mr. Jacques Parizeau, the Finance Minister, says he will bring down a budget shortly after the National Assembly meets on March 10. The Liberals have been attacking Mr. Parizeau because of the budget deficit for 1980-81—projected at around C\$2.6bn, the highest in any province—claiming the Government is financing current spending with borrowings. They are attacking high levels of taxation, patronage, regional unemployment, heavy-handed bureaucracy and excessive intervention in the affairs of municipalities and in business.

The only Progressive Conservative member sent to the Federal House of Commons from Quebec, Mr. Roch LaSalle, a popular figure in his own area 45 miles north east of Montreal, has emerged as leader of the Union Nationale, the conservative party of the late Premier Maurice Duplessis, Daniel Johnson and Jean Jacques Bertrand.

Mr. LaSalle, who stands for traditional Quebec nationalism and more provincial autonomy within a federal system, lacks time and money to achieve the 11 seats won by the party under Mr. Rodrigue Biron in 1976. Then a substantial number of anglophone votes went to the UN in protest against an unsuccessful Liberal administration. That is unlikely to happen this time. As a result Liberal prospects are greatly enhanced.

Quebec's traditional industries, such as textiles, shoes and furniture, are in trouble again, and some resource industries such as iron ore and asbestos have slowed down. Pulp and



Mr. René Levesque,
Premier of Quebec and
leader of the
Parti quebécois

paper is holding up and going through another round of investment. Business generally is feeling the impact of declining real consumer disposable income. Office construction is recovering modestly in Montreal, but residential building is slow because of high interest rates.

Average growth in 1981 across the province will not be much more than 1 per cent in real terms. The only industries showing major growth are aerospace and electronics and some consumer goods producers with sound export markets. Later in the year, the construction industry will gain from work on extending the Trans-Canada gas pipeline system through Quebec city and eventually to the maritime provinces. A residual oil upgrading plant for the Montreal refining centre, costing C\$1.5bn, may also be starting by the end of the year. The C\$15bn James Bay hydro project is at its peak.

One encouraging aspect is the growing determination of Montreal to redefine its international role and develop itself again as a commercial-industrial and transportation centre.

Separatism has its appeal

ONE OF the ironies of contemporary Canada is that the richest and fastest growing region of the country is the most disenchanted with the Federal Government and its energy and constitutional policies.

The energy policy impasse between the Federal Government and Alberta, the insistence by Ottawa on its unilateral patriation of the constitution with a charter of rights, or the emergence of a separatist leader with the charisma and skills of Mr. René Levesque brought to the separatist opposition in the West into political parties that could threaten to topple existing provincial governments.

The centre of the unrest in the West is Alberta, most westerly of the three great plains provinces of the Canadian west and a province whose sedimentary basin running into the foothills of the Rocky Mountains on the province's western flank contains most of the proved oil and gas reserves in Canada. The oil and gas has been the basis of a decade-long economic boom that has made Alberta the wealthiest province in Canada and the cause of a battle over energy policy between the province's Conservative Government headed by Mr. Peter Lougheed and the national Government in Ottawa.

Put at its simplest, Mr. Lougheed's goal has been to bring maximum advantage from the province's conventional oil and gas reserves before the fields are pumped dry—their life index is now about 13 years—to ensure that Alberta will not revert to a 60-population farm-based economy that seemed its fate before oil was discovered after World War II. There is considerable evidence that he has succeeded, perhaps beyond his

dreams of a decade ago when he took power. The province has accumulated C\$8bn in its Heritage Fund and a big petrochemical industry has been established and is now being expanded.

Despite the economic achievements, the political fight has never been more bitter than in the four months since Ottawa unveiled its National Energy Programme. Alberta announced a 15 per cent reduction in conventional oil production, to be phased in three equal stages beginning on March 1, and is

national resentment of all things eastern, including the Federal Government, have cemented the alliance with Mr. Lougheed.

Mr. Bennett furthermore, has good political reasons for bashing the Federal Government. His government, due to face the electorate this year, has been tottering, and the New Democratic Party, under the leadership of Mr. David Barrett, appears to have better than an even chance of returning to power. Mr. Bennett, who has neither the presence nor acumen of his father, long-time Premier W. A. C. Bennett, has announced schemes such as a waterfront amusement park and a rapid transit system for Vancouver in an attempt to lure the electorate back to the fold. But nothing would enhance his chances like a victory over Ottawa, even if on Mr. Lougheed's coat tails.

While Mr. Bennett has more at stake politically than economically in opposing the energy policy, Mr. Lougheed's situation is the reverse. The short-term economic outlook for Alberta has already been damaged by the policy. Companies have been curtailing their exploration and development budgets sharply in the face of federal taxes that reduce their cash flow in the order of 20 per cent and oil drilling companies are taking their risk to the United States, where decontrol of oil prices has resulted in a boom in drilling.

One industry estimate predicts that employment in Alberta will be cut by 14,000 by the end of the year unless the impasse with Ottawa is resolved. The Conference Board in Canada, the prestigious private group, recently reduced its forecast of Alberta's real economic growth this year to 3 per cent, compared with the 4.6 per cent it was expecting before the energy policy was announced.

The energy policy fight also

hangs over the medium-term outlook for Alberta. The province has held up approval of the next phase of developing the extraction of oil from its vast oil sands, a proposal by a consortium headed by Shell Canada to build a 125,000-barrels-a-day extraction plant, and a heavy oil development at Cold Lake, planned by Exxon's Canadian subsidiary, Imperial Oil.

While delaying the projects is an important lever in the negotiations with Ottawa and while Alberta can probably afford to be more patient than the Federal Government, the projects will take thousands of workers during their construction phase and would be moderately labour intensive in operation.

Though British Columbia's economy is not as robust as Alberta's, it is expected to turn in 2.5 per cent real growth this year, about the same as it did last. Last year's performance was stronger than expected as the province has a history of being severely battered by past U.S. recessions.

The province rode through last year on the strength of its domestic construction and industry and consumer spending, both of which will sustain it this year. Its major export industries, minerals and forest products, suffered a much milder drop in production than they experienced in the last, 1974-75, U.S. recession.

For the medium term, three factors appear to ensure a strong outlook. Major new contracts with Japanese buyers of both coking and boiler coal will open new fields on the north eastern part of the province, hard-rock mining seems set to expand in the face of a general tightness in world mineral supplies, and forest industry productivity has been rebuilt by a substantial round of investment by the industry.

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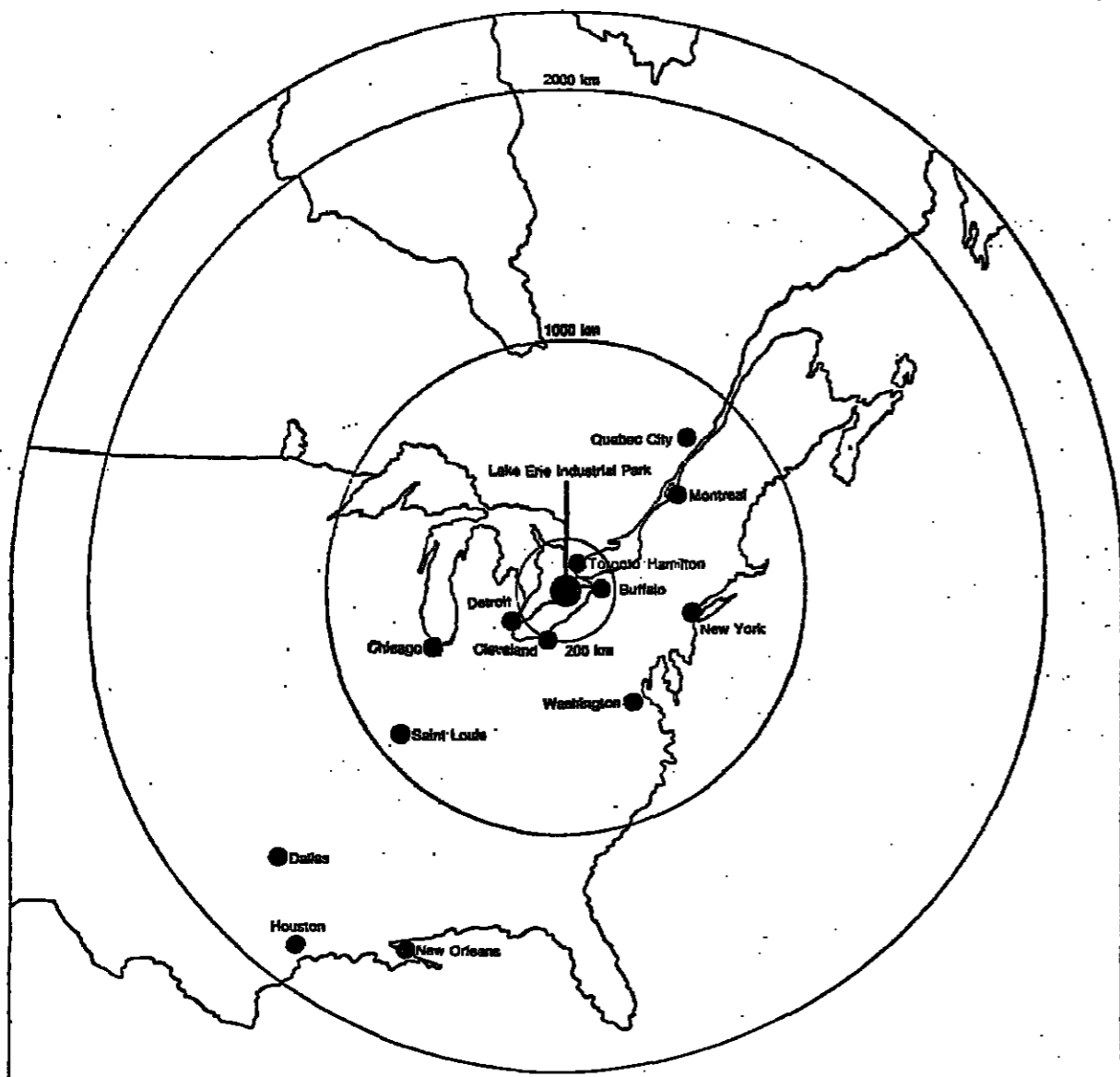
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Greater prosperity on the way

SASKATCHEWAN'S economy is expanding rapidly, while Manitoba is starting to recover after going through troubled times last year. These two prairie provinces form half of Western Canada, the fastest growing region in the country.

Economists forecast that Saskatchewan will achieve real growth of 3.1 per cent in 1981, the highest rate in the West and second best in Canada. Manitoba—currently the poor cousin of the region—will end this year with only a modest 1.2 per cent gain in its real domestic product.

Both provinces appear to be headed for higher prosperity after a prolonged drought toppled their important agricultural crops in 1980. Saskatchewan came through the drought in better shape because its dependence on agriculture has been lessened in recent years by expanding potash, heavy oil and uranium mining industries. In addition, Saskatchewan's weather improved substantially last autumn, so that crop losses were lower than expected. Manitoba, lacking both alternative resources and a break from the weather, finished 1980 with a -1.6 per cent growth figure, the worst performance since these statistics were first recorded in 1961.

As they are producing more grain than anybody else in Canada, Saskatchewan's farmers are likely to benefit this year from steadily rising world prices for wheat, oats, barley, rape seed and flax. They may double the plantings of all crops from 1m to 2m acres. If the weather remains favourable, Saskatchewan could expand agricultural production by 7 per cent, an achievement that would stimulate a number of the province's other sectors.

Farm machinery manufacturers would reap dividends from a good crop, followed by the vendors of a wide variety of products, ranging from fertilizers and furniture to cars and appliances. The conference Board in Canada, one of the country's leading economic forecasting organizations, is predicting that Saskatchewan retail sales will advance 11.1 per cent in 1981, as against 6.9 per cent in 1980.

Output of potash and uranium is expected to grow 5.5 per cent in 1981. The potash mines—most of which are in the Saskatchewan area—are being kept buoyant by strong offshore markets and modest price increases.

Farther north, the uranium industry will be further enlarged by the construction of a C\$800m mine and mill at Key Lake by Key Lake Mining, which is jointly owned by the Saskatchewan government, Eldorado Nuclear of Ottawa and Uranerz, West German company. If the project gets the final approvals that are now pending, construction should begin in late 1981. Key Lake will be the world's third largest uranium mine and the fourth producing mine of its kind in northern Saskatchewan.

THE PRAIRIES

ROGER NEWMAN

Two clouds could darken Saskatchewan's economic horizon, however: the ever-present possibility of another drought and a pricing dispute that will probably reduce activity in the province's heavy oil industry.

Some veteran farmers fear the prairies may be experiencing a drought cycle similar to that of the 1930s. But the spectre of another drought is only a background concern since there is no scientific way to determine whether adequate rains will fall this spring.

The oil price dispute is very real. The Federal Government is feuding with the two main producing provinces, Alberta and Saskatchewan, over the well-head price of oil. The producers want prices to rise towards world levels, while federal authorities feel some kind of a break should be given to Canadian consumers and manufacturers. In addition, Western oil companies are upset about a new excise tax that Ottawa has imposed on their oil and gas revenues. Oil companies are starting to move their drilling rigs to the U.S. and other countries. This will hurt Sas-

katchewan's heavy oil industry near the Alberta border, though the impact is biggest in Alberta itself.

The oil boom experienced by Saskatchewan and Alberta has largely bypassed Manitoba. Its economic problems in recent years have been intensified by the migration of workers to resource projects in the other two prairie provinces. Since 1978, Manitoba has lost 43,680 citizens through migration to other provinces, and its total population dropped by 3,300 in 1980 to just over 1m.

There are a few bright points. A highly diversified manufacturing industry is continuing to make gains in employment and sales. Products such as garments, processed foods, machinery, electronic instruments and aircraft parts are being exported in large quantities because of the lower external value of the Canadian dollar.

Premier Sterling Lyon's Progressive Conservative Government is starting to spend money to stimulate the economy, after several years of practising restraint. The Manitoba spending estimates are up 15 per cent for 1981-82, as against a mere 3 per cent rise when the Tories came to power in 1977. Part of the reason is the prospect of an early election.

Additional Government spending will create additional business just the same. Any economic improvement will be modest in 1981, but the long term prospects are better. Manitoba Hydro, the publicly-owned power generating corporation, is talking about re-commencing work on the Nelson River development—a multi-billion dollar chain of half a dozen major generating stations. Another project that could spur demand for more generating capacity is a tentative plan of Alcan's, the aluminum company, to build a C\$500m smelter near Winnipeg, Manitoba's capital. Alcan is undertaking a preliminary feasibility study.

Hudson's Bay Mining and Smelting is planning a four-year, C\$100m capital programme in Manitoba's north. Brinco may spend C\$14m to resume production at the San Antonio gold

A 150 tonne grain elevator is moved on a trailer along a highway near Regina, Saskatchewan, from a recently closed branch line to a railway station still in operation.

mine in Bissett. Inco has scheduled a C\$20m five-year exploration programme near its Thompson mines, and Tantalum Mining is investing C\$1m to expand its Berman Lake mill capacity by 40 per cent. There is also a possibility that Manitoba may soon be in the potash mining business. Two international companies are interested in deposits at St. Lazare, near the Saskatchewan border. One company, International Minerals and Chemical, is considering the construction of a C\$500m mine, while Amex of Canada is still in the exploration stage.

Despite the promise of a better future, Manitoba's economy can best be described as flat at the moment. Winnipeg, home of half of Manitoba's population, has 20,000 unemployed, numerous boarded-up stores and little new construction.

Mr. Lyon may have a tough time getting re-elected, as the social democratic New Democratic Party has been making gains in recent civic and federal elections. The Premiers are trying to build up his image by trying to oppose Ottawa's plan for patriating the Canadian constitution. But Manitobans seem to be more interested in bread and butter issues.

In Saskatchewan, NDP Premier Allan Blakeney is taking a softer line on the constitution, although he too has been turning against the plan unless Ottawa grants more provincial rights.

New Frontier remains a dream

WHILE OIL and gas exploration in the Beaufort Sea and the Arctic Islands has turned Canadian attention to the potential resource wealth of the country's north, large scale economic development appears as far beyond the region's grasp as ever.

In the late 1950s, the then Prime Minister Mr. John Diefenbaker pointed Canadians north with a vision of northern development that would make the country north of the 60th parallel as important in Canada's second century as the west was in its first.

The north, Mr. Diefenbaker confidently declared, was ready to come into its own. All that was needed was an imaginative policy that would open its doors to Canadian initiative and development.

Since Mr. Diefenbaker's vision of the north, there has been some economic develop-

ment, transport links have im-

proved and the region has taken a few more steps down the road to self-government. But apart from a few southerners with a nostalgic vision of red-coated Mounties driving dog teams across the snow, few Canadians, least of all those living in the Yukon or Northwest Territories, think of the north as the once-and-future frontier of Canada's second century.

While the north may have minerals and hydrocarbons in abundance, Canada learned in the 1970s that development will be slow, uncertain and risky. The climate is hostile, with long, dark and harsh Arctic winters and brief, sunny and hot summers. The ecosystem, surviving for the most part in a thin layer of soil above the permafrost, is fragile and not easily restored if damaged. Vehicle tracks may take years to disappear back into the tundra.

Distances are immense and transport links, except for air, are not well developed. For example, the first highway to the Arctic Ocean was recently completed but residents of Yellowknife, the capital of the Northwest Territories, must rely on an ice bridge in the winter to drive out to the south.

The human basis for development is thin. Population is sparse and strong local political institutions are just emerging. Only about 70,000 people are found in an area as large as all of Western Europe, with East Germany and Poland thrown in

for good measure. Politically, the territories are fiefdoms of a Federal Government headquartered thousands of miles away in Ottawa. And, although the northern territories have been part of Canada since they were turned over in 1870 to a young nation by the Hudson's Bay Company, Ottawa's policy to the North, tinged as it is with a combination of naivety, paternalism and indifference, has worked more to frustrate than promote the ambitions of northerners.

The local government structure is just emerging from colonialism, with the Yukon further along the road to self-determination than the Northwest Territories. Both have a commissioner appointed by and responsible to Ottawa, and elected territorial councils. But in the Yukon, the council has an elected chief executive officer and minister of finance while the Northwest Territories has for the first time an elected official as minister of finance. In both, Ottawa has control of resources and land, is responsible for native peoples—two-thirds of the Northwest Territories population—and is responsible for the bulk of the budget.

Commercial discoveries of natural gas have been made in the islands of the High Arctic and a pilot project in which the gas will be liquefied and shipped to markets in an ice-breaking tanker may get under way this year.

Dome Petroleum has found hydrocarbons in every well it has drilled in the Beaufort Sea on a formation to east of Alaska's Prudhoe Bay field and 4 trillion (million million) cubic feet of natural gas has been proved in adjacent lands in the Mackenzie River delta.

Further south, Imperial Oil, Exxon's Canadian subsidiary, plans to spend C\$900m for a seven-fold expansion of production at its Norman Wells field and to build a 550-mile 12-inch pipeline to join up with the existing pipeline system in Edmonton. Although a Federal environmental panel recently recommended a one-year delay of the pipeline project, the National Energy Board is expected to make its ruling on the pipeline application in March and the Federal Government's reaction to that report may well be a test of the Government's attitude on development in the territories.

Ottawa will be hard pressed not to promote development, if oil is found in the Beaufort. The proposed new National Energy Programme gives Ottawa a retroactive 25 per cent share of all fields as they move from the exploration to the development phase (with the exception of existing commercial fields) and

production entirely in the Federal domain would be an attractive lever for a Government that often is frustrated by provincial control of oil and gas production.

But, even putting aside the largely unanswered questions of environmental protection and employment opportunities for largely unskilled native people, another issue looms over all plans for northern development.

The native peoples of the north, ruled by the Hudson's Bay Company for two centuries and by Canada for just over a century, have never had treaties with government and southerners with their oil rigs or diamond drills may be legal interlopers.

The native peoples of the north have made massive land claims, which they are negotiating with Ottawa, and the way to development may not be finally cleared until the land claims are resolved.

Resolution of the land claims will be difficult. In some cases the claim of one native group overlaps with another. But even if full-scale mineral

and hydrocarbon development awaits resolution of the land claims and clarification of Ottawa's attitude to development, the gathering momentum and giving what zip there is to the local economy.

In the Yukon, a second gold rush is under way and about 150 operations worked the gravel for gold last year. This year, the gold production could double in value to C\$100m.

Two of the largest lead-zinc mines in the world, one in the Yukon and the other in the Northwest Territories, are expanding and a third lead-zinc mine will begin production on Cornwallis Island in the high Arctic next year.

In the medium-term, the Yukon has a more buoyant outlook than the Northwest Territories as the natural gas pipelines from Alaska through Canada to the lower 48 states of the United States will cross the territory. While the pipeline project has stumbled through a series of misadventures, its backers are optimistic that it will go ahead in the mid-1980s.

THE NORTH

JAMES RUSK

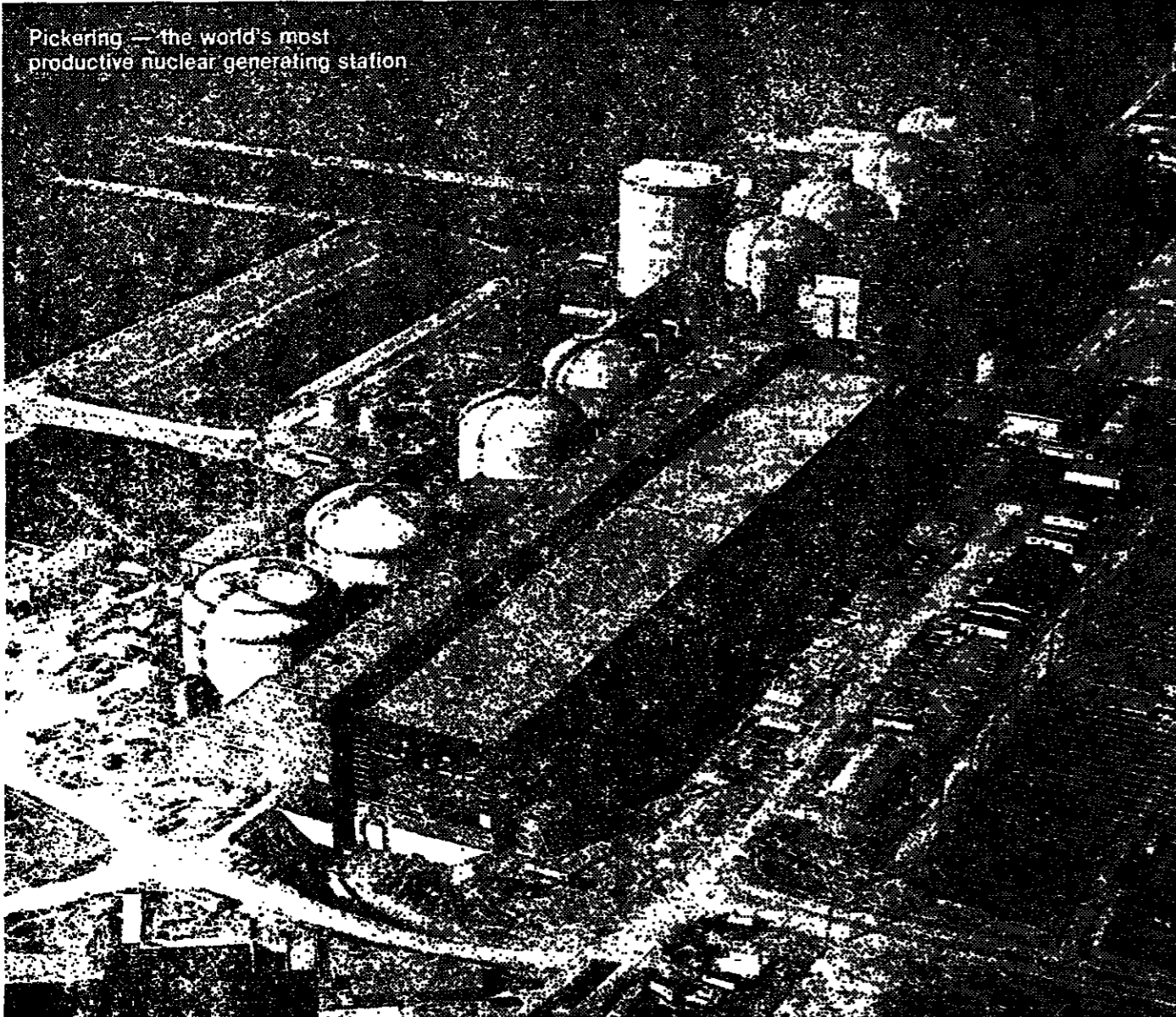
ment, transport links have improved and the region has taken a few more steps down the road to self-government.

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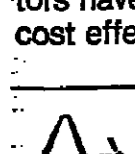
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Modernising in anticipation of future world demand

THE FOREST products industry, which accounts for about one in ten of Canadian jobs and about 20 per cent of the country's total exports, came through 1980 with surprising strength, considering the recession in its principal markets and the slump in housing.

Moving into 1981, operating rates in the key newsprint sector are holding up well and overseas markets are showing enough bounce to balance the slackness in the U.S. Demand for pulp and paper from such countries as China, Korea, Japan and other parts of the Pacific rim is climbing, and it may still be only the tip of an iceberg, says Howard Hart, president of the Canadian Pulp and Paper Association.

The lumber section has reached its lowest point and producers are looking for a resurgence in U.S. housing in the second half of 1981. Prices will respond swiftly if the Reagan administration can succeed in trimming inflation and easing interest rates to let that resurgence happen. Pulp and packaging products will probably remain slack until the second half of 1981 but fine papers continue strong in the domestic market because of the discount on the Canadian dollar effectively keeps U.S. products out.

The industry is optimistic that, later in 1981, the U.S. can lead the Western economies towards a sound resumption of real growth. This would help absorb some large slices of new newsprint and lumber capacity due to be in operation in the next two years. The Canadian

dollar should remain around the level of the U.S. 85 cents for some time, thereby bolstering company earnings on export sales, and the industry feels it will have an advantage in the cost of energy through this decade.

There are continuing problems, however. Wage contracts agreed by the eastern Canada mills last summer give two-figure annual increases, and

FOREST PRODUCTS

ROBERT GIBBENS

western mills are now facing even higher claims. Costs are climbing generally at about around the rate of inflation — 11 per cent — but because of less North American demand, actual prices received may not keep up this year. This may result in generally lower earnings, though larger companies with diversified products and export markets may maintain their levels.

If the industry is to seize world market opportunities over the next 20 years it means potential shortages of wood fibre. Wood resources have allowed the output of Canadian forest products to double over the past 25 years. The current challenge is to bring about another major rise by improving forest management.

Some of the provinces have reached the limits of their supply. Even in British Colum-

bia, the prevalence of smaller trees has forced major technical changes at the production stage. During the 1980s Canada is expected to catch up with Scandinavian standards of forest management as both industry and governments develop expensive programmes designed to ensure a continuing supply of resources.

Since the energy crisis of 1973-74 Canadian mills have increased the efficiency of their use of energy by about 20 per cent but further substantial gains are possible, especially in the older Eastern mills, as the programme to substitute natural gas (so far as the Maritime provinces are concerned) gets under way this decade. (Canadian International Paper Company's big Gatineau newsprint mill near Ottawa is changing over from fuel oil to gas for its heating.) The industry has a federal commitment that gas prices will be averaged over the whole of Eastern Canada and will remain well below oil prices as an incentive to conversion.

Within a year or so the older pulp and paper mills of Trois Rivieres, in Quebec, will start being converted to gas. The cost of converting an average mill can be \$25m to \$35m.

Ownership patterns in East and West have tended to solidify among major groups such as Macmillan Bloedel, Canadian Pacific, Noranda Mines and Consolidated-Bathurst. Control of Macmillan has become strongly based in British Columbia by provincial government fiat. The

Quebec Government carefully watches the control position of Domtar.

However, Abitibi-Price, which is based in Ontario and Quebec, and is itself a merger of two old-established companies with interests in the southern U.S., remains widely held. Abitibi is the world's largest newsprint producer and has sales of well over \$1.25bn a year. Half its sales are in newsprint and the rest in fine papers, lumber, paperboard, kraft paper and pulp. Like most other pulp and paper companies in Canada, its stock is greatly undervalued because of fears that too much newsprint capacity will be available in North America in the next four years. It plans to spend at least \$500m over the next five years to modernise its mills and forest base.

The industry is going through a massive modernisation and expansion programme costing several billion dollars, from East to West. The emphasis in the East is on modernisation and productivity. The example of mill closures in many parts of Europe has concentrated minds wonderfully. Both the Federal Government and provincial governments in the East realised the older mills were becoming non-competitive two years ago. They are collectively putting up several hundred million dollars towards modernisation and improvements in efficiency. Machines are being speeded up, electronic controls installed, and steps taken to reduce energy consumption. Several new newsprint



A bulldozer is used to contain a forest fire at Grand Lake, Newfoundland

machines are being installed in the newer Western mills and lumber capacity is expanding. Private groups have been consolidating ownership of sawmill facilities in preparation for better markets developing in 1981-82. A major new pulp mill is planned for Northern Alberta where timber reserves are still unused.

Other pulp and paper companies with the financial muscle would be unlikely to take over Abitibi for fear of Government anti-monopoly action. However, several companies rich in cash and operating outside the industry are interested in the resources of the forestry sector and in Abitibi's prospects. Federal Commerce and Navigation Ltd., one of Canada's largest coastal, arctic and international shipping groups, has 10 per cent of Abitibi's stock.

A Toronto property developer, Olympia and York, has emerged as a bidder for control over Abitibi. U.S. newsprint consumption could gain slightly up to about 10.2m metric tons this year, of which about 6m tons would come from Canada, down from 6.4m tons in the peak 1978 year. Domestic demand will be about 1m tons and other export markets might take 1.6m tons.

Canadian shipments could be about 8.6m tons, and an average industry operating rate of about 93 per cent and production about 8.7m tons, indicates a small rise in inventory. However, a substantial margin of capacity remains should markets turn out stronger in the second half of 1981. Canadian capacity is rated at about 9.5m tons, but it is creeping up quickly to 10m.

On the trail of new deposits

CANADA'S HUGE mining and metals industry has regained much of its financial muscle during the past two years. Companies are in more confident mood and are out looking for new ore deposits, particularly in the west and north west.

The political and tax climates have improved markedly. Although earnings on average last year fell back from the good 1979 recovery levels, the industry is optimistic for the second half of 1981. The principle that production and pricing discipline is the key to adequate future profits has gained widespread acceptance.

There are some weak spots and worries about world prices in relation to sharply rising Canadian costs. The shortage of skilled manpower in the mines has not been relieved. The troubles of the steel industry, especially in the U.S., have brought serious production cuts at the Iron Ore Company of Canada's Quebec operations.

A pelletising plant with an annual capacity of 6m tons is being closed indefinitely along

with the mining activity connected with it. Ioco will continue operations in Labrador, where it has more than 10m tons of annual pellet capacity.

MINING

ROBERT GIBBENS

The asbestos mining sector is going through a slow period, mainly because of a building activity in the key U.S. market has cut demand for short fibres. This sector is centred in Quebec, and layoffs are serious.

Uranium has reached a plateau, and the long climb in prices is over. Existing mines in Northern Ontario and Northern Saskatchewan have long-term contracts to keep them active for many years, but cut in exploration and development is likely until governments everywhere make new commitments to nuclear power generating plants.

The fastest-growing mining sector is coal, and major contracts have been signed with the Japanese which will double Canadian coal exports during the next few years.

Exploration for base metals and precious metals is active in many parts of the country but has reached fever pitch in British Columbia, the Yukon and some parts of the North West Territories. Speculation in the shares of small exploration companies has caused severe problems for the Vancouver Stock Exchange.

Oversupply of many key metals in world markets caused prolonged price weakness despite the general economic recovery which followed and problems with nickel persisted.

The industry came back strongly in 1979 as more stability emerged in world markets. Earnings on average slipped in 1980 and may continue to show some uncertainty in the first half of 1981. But producers are optimistic for the second half and for 1982-83.

Canada will continue to enjoy an energy cost advantage. Copper prices have generally determined the level of Canadian mining and metal industry stocks because of the metal's importance in the operations of major companies. But this linkage is changing because

of soaring prices in recent years of precious metal found in the same ore and also of molybdenum.

By-product prices are now well below the peaks, but such metals account for 20 to 25 per cent of the total metal revenues of such diversified companies as Noranda Mines, Teck Corp., Hudson Bay Mining and Falconbridge copper. Price swings are more critical to smaller, one-product copper producers.

Canada is the third largest Western copper producer. More production associated with molybdenum comes on stream late this year with the Highmont project and Lorne expansion in British Columbia and several small producers will be starting up in the next year or so in the East. The Valley Copper Mine of Cominco in British Columbia, a major producer, should be operating by 1985.

Present Canadian capacity is about 950,000 tons, rising to 1.1m by 1985. Producers see more pressure on stream through much of 1981 because of oversupply, a cyclical recovery starting in 1982 and a better supply-demand balance emerging through 1985. Some analysts put the average London Metal Exchange price for 1981 at about 85 cents (U.S.).

Nickel producers are showing determination to hold down inventories and maintain price stability. Canadian sulphide producers, with the help of by-product metals, such as copper, cobalt and some precious metals, are reasonably profitable at current prices. Inco has shut less profitable laterite operations in Guatemala temporarily. With a recovering trend in the world economy probably starting this year, some analysts are predicting nickel prices rising towards \$5 a pound by 1983.

There is an emerging zinc concentrates shortage, while refining capacity remains in surplus. Although the market is lacklustre at the moment, Canadian producers expect firmer prices towards the end of 1981. However major new mine production is due on stream from the end of 1982, including the new Arvik mine of Cominco in the high Arctic.

It will raise refined zinc output from 270,000 tons to 300,000 tons in 1983. Refined lead output will rise 25 per cent to 200,000 tons by 1985. The Noranda Group is also bringing on more zinc and lead production in New Brunswick.

Molybdenum, with more capacity coming into production in association with copper, is not expected to repeat the price rises of recent years for a lengthy period. The 1981 outlook is for more weakness. A major new gold mine 125 miles north-east of Timmins, Northern Ontario, is due in production in 1983, at a production rate of nearly 90,000 ounces yearly. Capacity will be doubled in 1987 when the mine moves underground. That would give projected output of 175,000 ounces yearly, a large mine for Canada. It is owned by Campbell Red Lake Mines, Dome Mines and Amoco Canada Petroleum (Standard of Ohio). Its cost is nearly \$150m.

Selco Inc., and Hudson's Bay Oil and Gas are bringing in a new copper mine in north-western Quebec at a cost of nearly \$120m.

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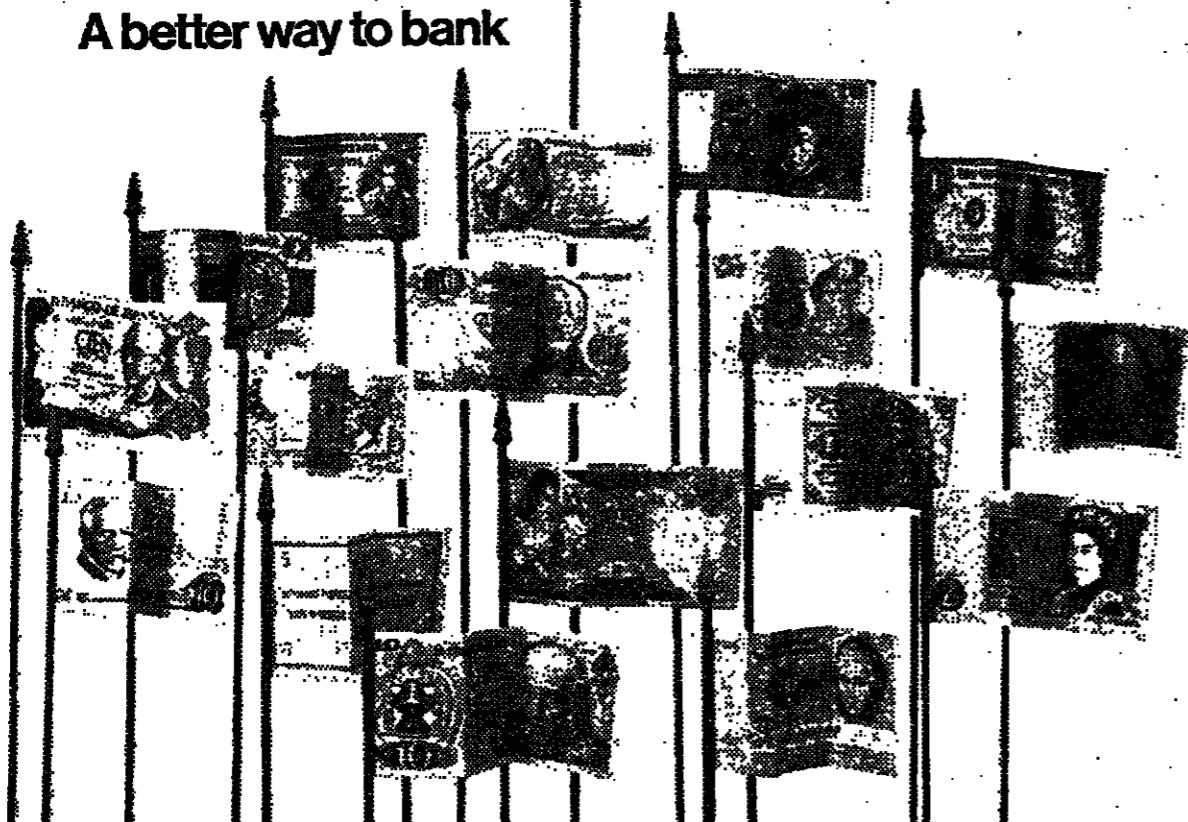
CANADA X

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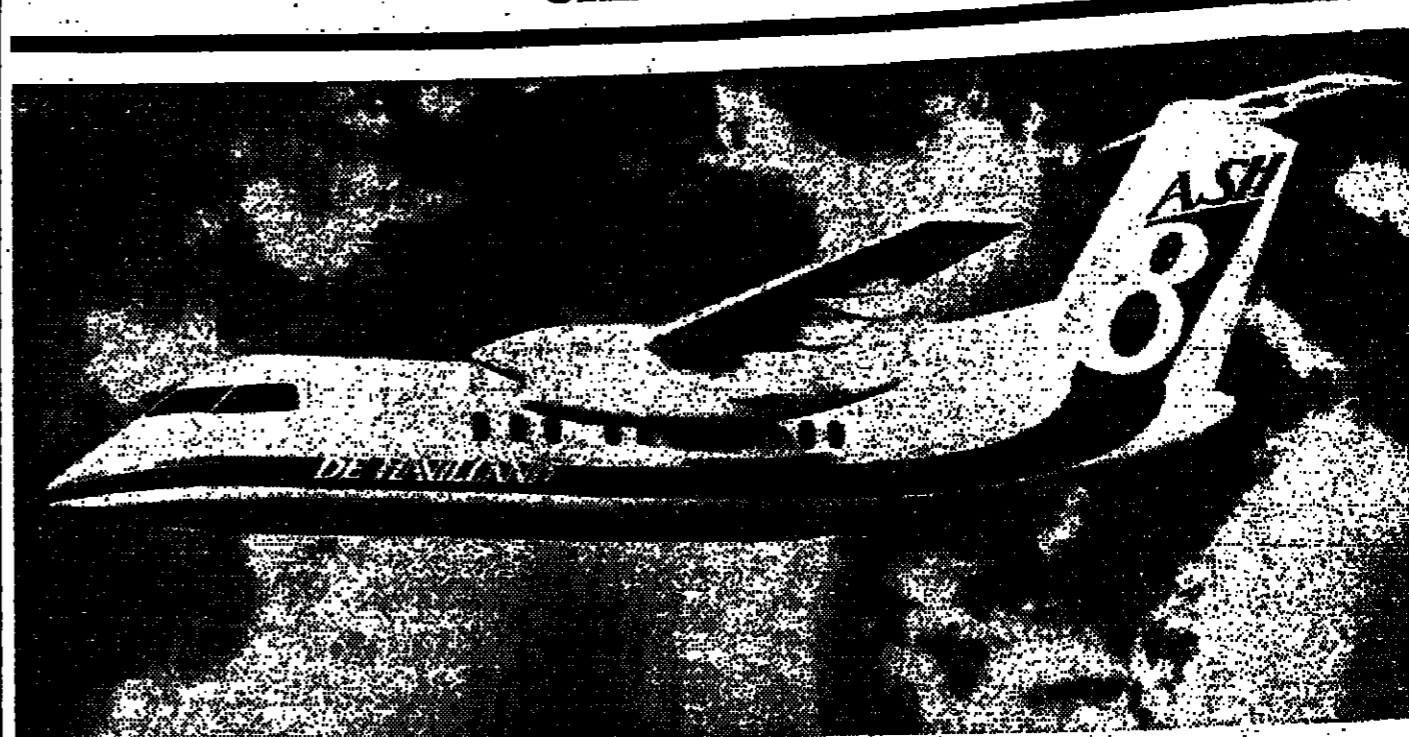
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De Havilland's Dash 8, planned to make its maiden flight in 1983, is a 30-36 passenger aircraft designed to attract the short-haul and commuter market. Since its announcement in 1979 there have been 93 offers of purchase from 26 companies in eight countries

Bulging order books boost record sales

THE ROBUST performance of Canada's aircraft industry has made it one of the country's high flyers at a time of generally sluggish economic growth.

The order books of the two major air-frame builders, de Havilland of Canada and Canadair, are bulging. New programmes are being pushed ahead, employment is rising, plants are being expanded and sub-contract work is flowing out to hundreds of small and medium-sized suppliers.

Orders, options and offers to purchase are outstanding on more than 300 aircraft ranging from de Havilland's CS12m 19-seat Twin Otter to Canadair's CS7.7m Challenger business jet. The industry has become one of the country's major exporters of advanced technology products, airplanes and electronics, with more than 80 per cent going to outside markets.

At one time it owed its existence to military requirements, but the current growth

is almost all the result of civil demand.

Sales this year are expected to outpace the record C\$2.1bn set last year, which was up from C\$1.7bn in 1979. Employment has grown from 39,000 to more than 42,000 during the period.

The industry confidently if optimistically predicts a doubling of current sales by 1985, with employment rising by that time to between 55,000 and 60,000. It forecasts sales for the decade at between C\$40bn and C\$50bn. Some of this will include part of the C\$3bn in industrial offsets to accrue to Canada from its purchase last year of 137 new F-18 fighter aircraft from McDonnell Douglas. Subcontracts on this programme have still to be awarded.

But this bounding growth is not without its problems. There is a growing shortage of the highly skilled workers needed to make it all possible.

The other bleak spot in an otherwise bright future has been the recent layoffs of 700 workers, with more pending by McDonnell Douglas Canada, makers of wings and tails for the U.S. parent's DC-10 and DC-9 civil aircraft. A slowdown in orders for the airliners has forced the layoffs. McDonnell Douglas in Canada has bid for some of the F-18 work from its U.S. parent and if successful its employment picture will brighten. It could also bid for some of the work on de Havilland's new Dash 8 programme, a 30-36 passenger aircraft aimed at the growing short-haul and commuter market.

The Dash 8 received a tremendous boost in January when the Canadian Government agreed to provide de Havilland with up to C\$450m in loan guarantees to proceed with design, development and production. The programme will provide employment for 3,000 in addition to the current 5,000 workforce. De Havilland is

launching a C\$75m expansion programme of new building and new equipment at its site in Toronto to accommodate the project.

The Government also made C\$50m available to Pratt and Whitney Aircraft of Canada to proceed with the development of a new and more fuel-efficient turbo-prop engine, the PT-7, to power the Dash 8, which will add 1,000 to its workforce in Montreal.

Subcontract work on the Dash 8 will amount to about C\$130m a year during the life of the programme and will be spread among companies across the country. Several hundred sub-contractors and suppliers will also provide parts and components for the new PT-7 engine.

Since the Dash 8 was announced in November 1979 de Havilland has received 93 offers to purchase from 26 companies in eight countries, most from U.S. airlines. The 30-36 seat Dash 8 sits between the 19-seat Twin Otter and the 50-seat Dash 7. The target is the U.S. commuter market where

turbo-prop aircraft and their better fuel economics are replacing existing jet services.

Dash 7 orders total 125 of which more than 30 have been delivered. More than 750 Twin Otters have been sold. Canadair marked another major milestone in the latter part of last year with the certification of its highly successful Challenger business jet. By the end of the year 12 had been delivered and another 30 to 50 will be on their way to customers this year. Design work has started on the stretched version of the aircraft to be known as the Challenger E.

Canadair has a total of 180 orders for the Challenger made up of 132 firm orders for the standard aircraft powered by Avco Lycoming engines and 48 orders and deposits for the standard aircraft with an alternative General Electric engine which will also power the stretched Challenger.

Canadair has also started batch production of its CL-215 amphibious water bomber at a new assembly plant at Dorval International Airport. Sixty-five of the aircraft, which are used to fight forest fires, have been sold since 1976 and the company currently holds orders for five.

The new plant will be used for the assembly of the rear fuselage sections for the Boeing 767. Canadair's contract with Boeing covers 300 shipsets, the largest subcontract ever awarded the company. It also holds major contracts with Lockheed for sections of the Aurora maritime surveillance aircraft of the Canadian Armed Forces, built by Lockheed—and with McDonnell Douglas.

AEROSPACE

KEN ROMAN

Auto Pact with U.S. needs modifications

THE SERIOUS problems facing the North American motor industry—low demand, increasing foreign competition and the need for massive investment—have overshadowed Canadian concern about the Auto Pact, the 16-year-old agreement which regulates vehicle production in Canada and trade with the U.S.

Canada is at the moment suffering slightly less than its larger neighbour, with 18 per cent of its workers in the industry laid off, compared with 25 per cent in the U.S. Nevertheless the industry is so important to the Canadian economy—and particularly to Ontario, where 90 per cent of Canadian vehicles are made—that its current plight is a source of great worry.

Sales of cars were down by 7.2 per cent in Canada last year (compared with a fall of 15.8 per cent in the U.S.) and of trucks by 15.7 per cent (against a fall of 28.5 per cent). The Ontario Treasury Department has estimated that 30,000 jobs were lost in the industry last year, mostly in the manufacture of parts and components.

Mr. Herb Gray, the Federal Industry Minister, who initiated consultations with the U.S. Administration on the Pact early last year, has had to turn his attention to more pressing matters such as the loss of jobs and the demands by Chrysler for financial support from the Canadian Government.

Nevertheless it remains his intention to see some changes made in the way the Pact operates and, from its own side, the industry too wants to see modifications.

Despite some present dissatisfaction with the Pact, Canada and the industry have reason to be pleased with the benefits it has brought over the years.

Before its introduction the Canadian motor industry, although largely U.S.-owned, was cut off from Detroit by high tariff walls. It attempted to be a microcosm of the U.S. industry, making a full range of vehicles on short and inefficient production runs.

The Pact permitted rational-

sation of the industry across the border, stimulated new investment in Canada, boosted employment and brought down consumer prices. Manufacturers were allowed to import vehicles and parts into Canada duty-free provided they met certain production-to-sales ratios and maintained a specified level of Canadian value added.

In the early years the Pact also brought substantial trade benefits to Canada. A trade deficit with the U.S. of over C\$700,000 in vehicles and parts in 1965 was steadily reduced until for the three years from 1970-73 there was a surplus.

MOTOR INDUSTRY

RAY PERMAN

Thereafter, however, the position began to deteriorate. Although trade in finished vehicles has always remained in surplus, it has been more than offset by the deficit in parts, leading to a C\$3bn deficit with the U.S. in 1979 and an estimate C\$1.9bn last year.

Canada has also become concerned about the "branchplant" nature of the industry that has resulted from rationalisation, particularly the lack of research and development work, which is carried out mostly in the U.S.

Left untackled the trade problem could steadily get worse. Changes in the way vehicles are produced has enabled manufacturers to meet their value added commitments largely from assembly operations in Canada, freeing them to import parts from other countries.

The Ontario Treasury noted in a recent report that the major manufacturers were now making their fuel-efficient four cylinder and diesel engines in Mexico, Brazil and Japan. One of the ironies of the Pact, the report noted, was that the major manufacturers—General Motors, Ford and Chrysler—were able to import these engines into

Canada without paying duty. Its conclusion—strongly disputed by the industry—was that by 1981 engine production could have disappeared completely in Canada.

The industry is annoyed by the way public attention has been focused on the trade aspects of the Pact while ignoring the substantial other benefits it has brought, particularly in employment. It refutes the suggestion that the Canadian industry is being run down, pointing to the C\$3bn now being spent by General Motors and Ford in Canada, the introduction from this month of the first of the Ford small cars into production in Canada and the Chrysler commitment to build a small front-wheel drive car there.

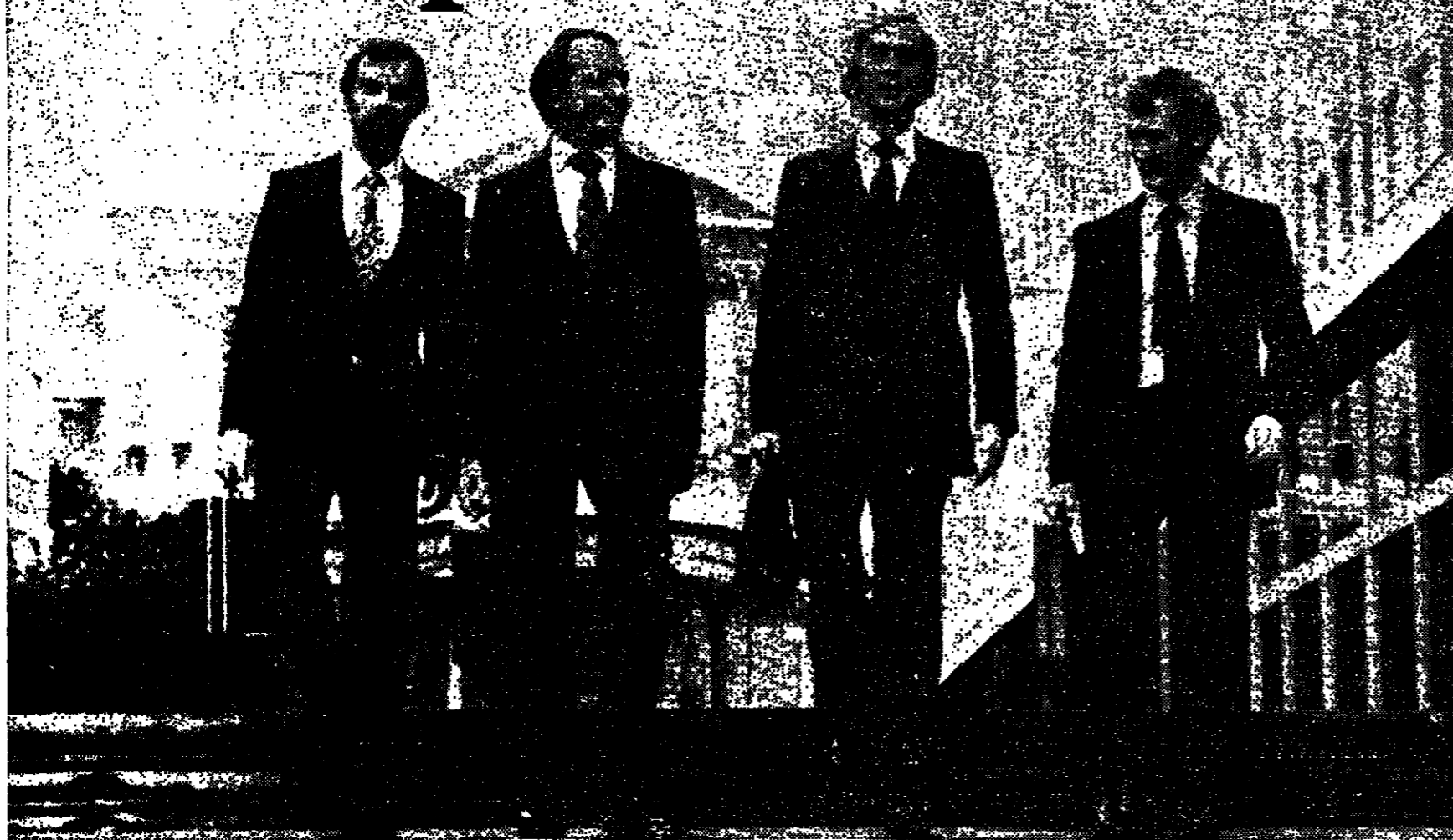
It has its own complaints about the way the Pact has been operated, particularly the inflexibility of the ratio requirements, which have to be met each year rather than being spread over a number of years.

Penalties for infringing the ratio rules are so high (the imposition of 14 per cent duty on everything imported in that year—which could run into hundreds of millions of dollars for a major manufacturer) that they have to be waived, since they would sink even the strongest company.

On some occasions, says Mr. Jim Dykes, of the Canadian Motor Vehicle Manufacturers' Association, the Government has used technical infringements and the threat of penalties to force companies into making new investment. And whenever a manufacturer fails to meet its obligations under the Pact, the impression is created in the public mind that the company is acting in an underhand way.

Talks on possible modifications to the Pact have been interrupted by the change in the U.S. Administration. When they restart it will not only be the simple relationship between Canada and the U.S. that will be under consideration. The shape and future of the motor industry in North America may override other concerns.

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Michael Donne, Aerospace Correspondent, looks at the market emerging for 150-seat short-to-medium haul airliners

The \$50bn gap in the aircraft market

THE WORLD'S civil aircraft manufacturers are facing a major dilemma — whether or not to make an investment of several billion dollars to meet a market emerging among short-to-medium haul airlines for a new class of 150-seat aircraft.

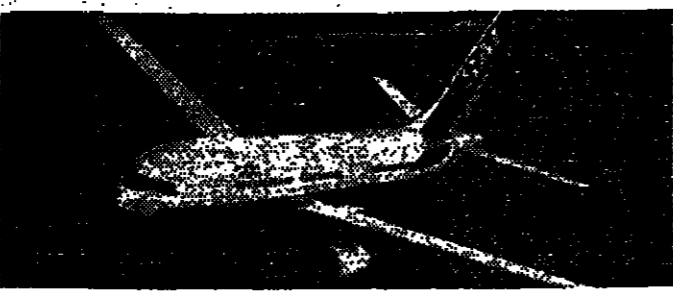
This market could amount to well over 1,000 aircraft during the next decade, worth more than \$50bn including spares — in addition to the many other types of new aircraft already on offer to fit different market requirements amounting in all to over \$130bn.

Cash is everyone's problem. Airbus Industrie is already heavily indebted to European Governments for the existing A-300 and A-310 programmes which are still, at 450 orders and options, only halfway to breaking even at around 800 aircraft. Airbus would have to ask those Governments for at least another \$500m to undertake a 150-seater.

Fokker, also planning such an aircraft, would have to go to the Dutch Government, or try to attract investment from other international collaborators, in Europe, Japan or the U.S.

In the U.S., Lockheed is not interested. Boeing, heavily committed on its new 737/747 programmes, costing over \$2bn, would prefer to wait a while before committing another \$1bn to a big new venture. But it is being pushed by Douglas, which in turn is almost desperate to get into the 150-seater market.

But needs a big order to convince its parent, McDonnell Douglas in St. Louis, to stump up the necessary investment. Added urgency has been given to the programme and engine manufacturers' desire to get into this market by the fact that McDonnell Douglas is Air Lines of the U.S., one of the biggest in the world, having



AIRBUS SA-1: Would clash with the 737-300

already ordered 80 of the new 200-seat Boeing 737 jets, is now also interested in up to 100 of the new 150-seater class. It has sent its "specifications" for such an aircraft to the aircraft and engine manufacturers.

The 150-seater could thus become the next major development in world air transport, following the successful launching by Boeing of its 737 and the larger, 240-seat 747. The new aircraft would lie between the existing Boeing 737 of about 115 seats (currently the world's best-selling jet), or the McDonnell Douglas DC-9 Super 80, at one end of the scale, and the Boeing 737 with 200 seats at the top end.

The market for the 150-seater would be divided roughly into one third for airlines, one third for engine and one third for electronic and other equipment incorporating new technology, such as "fuel management systems" for the best use of expensive fuel.

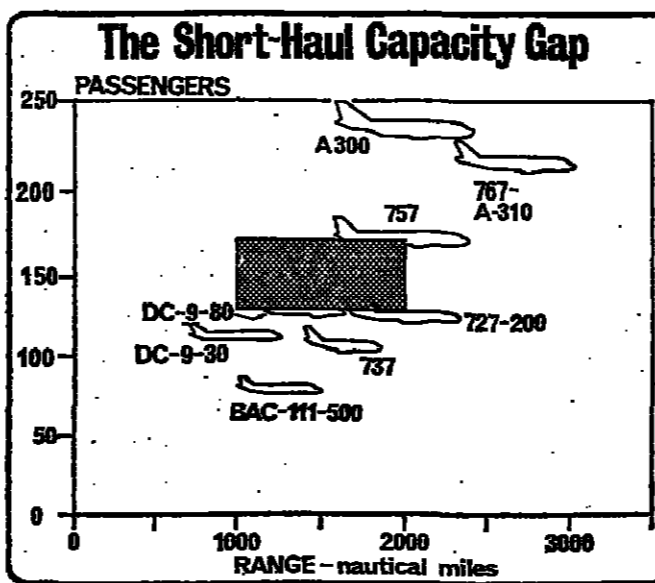
Delta is not the only airline in the U.S. to have put forward specifications for such an aircraft. Another is United, the biggest airline in the Western world which could buy up to 100 or more (for it has over 170 727s to replace as well as over

50 737s) while others include Pan American, Trans World, Continental, Western, Northwest and virtually every U.S. airline with 727s.

IN THE U.S., Boeing, the world's biggest builder of jets, already solidly entrenched on either side of the "gap" with the 737 and the 747, is looking at methods of filling it. Plans in that company to build a bigger 737, the Dash 300 with up to about 135 seats are likely to be announced this spring, but this will only partly close the gap. One idea put up by some U.S. airlines is that Boeing might modernise its 727 with improved engines and better aerodynamic efficiency. This idea is attractive, especially because it would be simpler and cheaper than launching yet another major new programme on top of the 737, 747 and now also the 737-300. Boeing could also offer a smaller version of the 727.

McDonnell Douglas, already severely troubled by Boeing in the U.S. market, with the 737 snatching big orders from Delta, American and Eastern, is still looking for customers for its proposed new DC-XX, a twin-engine 150-180 seater of the kind Delta and United appear to be seeking.

McDonnell Douglas has been



very close to United in drawing up specifications for the DC-XX, and United has made it clear it does not want the bigger 737 and does not want to see Boeing dominating the entire short-to-medium range airliner market in the U.S.

IN EUROPE, Airbus Industrie (in which British Aerospace has a 20 per cent stake), is also interested in a new short-haul, narrow-bodied twin-engine aircraft in the broad 130-170 seater category, called the "SA" or "Single Aisle series". This is only one of its ideas for new programmes to complement the 200-seat A-310 and the 250-seat A-300. Others include a stretched version of the A-300 to seat about 300-plus passengers, and a longer-range, four-engine model.

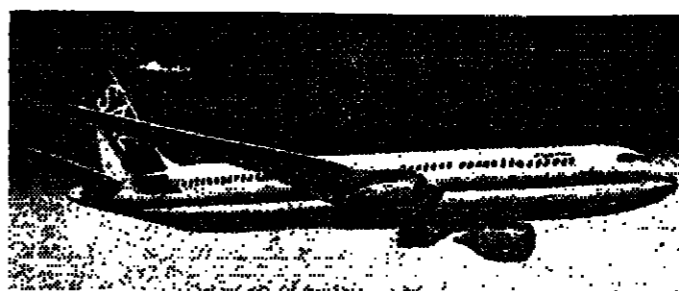
But Airbus Industrie feels that the SA series offers much potential. Its studies include an SA-1 of 130 seats, but this

would clash head-on with the new Boeing 737-300. More promising is the SA-2, of about 150-160 seats, which would be directly competitive with the McDonnell Douglas DC-XX. Airbus has been lobbying the airlines, and is responding to their "requests for proposals."

Inside Airbus itself, the French seem to be most interested in such a programme. M. Jacques Mitterand, president of Aerospatiale which is a 37.5 per cent partner in Airbus, recently called for an early decision on an SA type of aircraft.

British Aerospace is also enthusiastic, but appreciates that before any such venture can go ahead, it must be supported by all the Airbus Industrie partners and their Governments.

The West Germans appear to be more cautious at present. Although not averse to the idea of a 150-seater in the long term,



AIRBUS SA-2: Competition for the DC-XX

they would like to see some firm contracts emerging before committing themselves to a venture which might cost as much as \$500m to launch.

Also in Western Europe, Fokker of the Netherlands has ideas for a 150-seater, the F-23, to follow its present F-28 Fellowship twin-engine jet. But although it has had extensive talks on possible collaboration with the Japanese, and even with Boeing, it is still some way off committing itself to such a major investment.

THE POSSIBILITY of even wider international collaboration has occurred to Airbus Industrie, which has been talking to the Japanese (who have ideas of their own for a 150-seater, called the YXX). Here, too, nothing firm has emerged. The possibility of Fokker joining Airbus to build a joint SA-2/F-23 has not escaped attention either, but at present Fokker appears to want to preserve its independence a little longer. Nevertheless, the idea of forming some new Airbus Industrie subsidiary group to build the 150-seater, including Fokker, and perhaps also the Italians and Japanese, is gaining strength. Such a partnership might also include McDonnell

Douglas of the U.S. itself.

A link with Fokker would also help to solve another problem facing Airbus Industrie in determining new programmes — where to build them. The existing capacity of Airbus Industrie on the continent is being rapidly filled by the rising production rates of the A-300 and A-310, and to undertake any new programme some additional capacity will be needed. Fokker has it in the Netherlands, and so does British Aerospace at its Hurn (Bournemouth) and Filton (Bristol) factories.

But this bigger work-share would also probably involve taking bigger financial shares in the programme. To get final assembly, for example, British Aerospace might have to put up about 30 to 40 per cent of the cost, or between £150m and £200m if the total launch cost is £500m, the rest coming from the other partners.

But to win such sums in "launching aid" — which British Aerospace is now permitted to seek, following the share flotation — it would have to put up a convincing case, supported by all the other partners, which would also have to convince their own governments.

THE ENGINES present just as complex a problem. General Electric and Rolls-Royce are already in the market with engines of suitable power — the joint GE/Snecma (France) CFM-56 and the Rolls-Royce Japanese RJ-500, while Pratt and Whitney has said it will develop another new powerplant in its "2000 Series," the PW-2025 of about 25,000 lbs thrust, or even one of perhaps 30,000 lbs thrust, to meet the requirements of the 150-seater market.

Government interests become involved, here, too. The French Government, which owns Snecma, could be expected to push for the use of the CFM-56. The UK Government, if expected to pick up a bigger share of the cost through launching aid than any other European Government, could be expected to push for the use of a Rolls-Royce engine, especially since Rolls-Royce has failed so far to win any orders for its engines in any version of the Airbus.

Thus, the problems of putting together a major new engine and airframe programme in Western Europe in the 150-seater field are considerable. They are political as well as industrial, because Governments hold the money-bags the airframe and engine builders want. But enlightened self-interest must also play a part. What happens, for example, if Western Europe does not develop an airline of this type? The answer is that the market of over \$50bn will go to the U.S. — to McDonnell Douglas or Boeing, or both, or to Fokker, or to the Japanese, or combinations of those, with Airbus Industrie left out entirely. It is difficult to believe the European Governments will want to see that happen.

Letters to the Editor

Energy policy

From Mr. E. Jeffs

Sir — The Parliamentary Select Committee report (February 19) on energy policy has surely given encouragement to the proponents of the now fashionable argument that we do not need any more power stations, least of all nuclear ones, because electricity demand is not increasing significantly. It is also unfortunate that the Government felt obliged to announce a new initiative on coal the same day.

Misconception surrounds so much public energy discussion to the advantage of the anti-nuclear faction. Nuclear energy has been singled out for gross misrepresentation where equally complex technologies have not. Political capital can be made out of energy problems because they affect everybody.

The time has come for this country to decide how it is going to build an alternative energy system with our oil revenues to take over when the oil runs out. The Select Committee questions a £15bn nuclear power programme which will not start to produce electricity until the time that our present self-sufficiency in oil is beginning to disappear, without asking what should be the role of electricity in the future energy base of the nation. Will a successor committee in years to come similarly balk at a £15bn programme of coal conversion which if nothing else will drastically shorten the lifetime of our exploitable coal reserves, especially if a quarter of the supply has to be burnt just to provide process heat for conversion of the remainder?

The underlying issue is whether we try to maintain the status quo by converting a finite and environmentally malignant resource into synthetic substitutes for our familiar fuels at their same, or greater, level of consumption, or prepare to change to an electric total energy system based on nuclear power with some hydro and tidal energy, and a significant measure of combined heat and power production for liquid fuel synthesis and low-temperature process and space heating. It is a plausible scenario for this country which can guarantee in the long term a sustained high standard of living, virtual independence of energy imports, conservation of indigenous energy resources and minimise damage to the environment.

Eric Jeffs.

Teal.

Mont Lane.

Preahdun.

Great Missenden, Bucks.

Domestic heat pumps

From Mr. A. Kidd

Sir — Mr. Eastwood of Eastwood Heating Developments states a case (February 17) for domestic electrically powered heat pumps which, however, omits several factors.

Heat pumps of this size at present depend upon a reciprocating compressor which is likely to require skilled engineering maintenance throughout its life and, in my opinion, one will have to wait for a single piece rotary or turbo compressor before the domestic heat pump becomes acceptable — perhaps a decade. Additionally, it

is well known that many heat pumps fail to retain for long their initial coefficient of performance so that on average a figure of 2 or less may be nearer the truth than 2.4. On top of this there is the matter of relatively high capital costs in the first place.

Even at the possibly optimistic figure given by Mr. Eastwood of 2.4, and with domestic electricity costing 4.05p per unit (due to rise by 11.4 per cent on April 4) the cost of a useful Kwhr works out at 1.62p or fractionally more than with the latest high efficiency oil-fired boilers now becoming available.

A. W. Kidd.

Seend, Melksham, Wiltshire.

Three miles to a gas main

From Mr. D. Eyre

Sir — Mr. W. R. H. Orchard (February 19) wishes to continue to enjoy subsidised gas. This village has no mains gas supply within three miles, so why should my tax payments help to pay his subsidy? Mrs. Thatcher was supported on a promise to allow the principles of market forces to operate — if I cannot or do not buy the goods, why should I pay for them? I hope only that the Prime Minister and the party keep their promise.

D. H. Eyre.

Stemhammer Lodge,

Penshurst, Tonbridge, Kent.

Sugar selling in the UK

From the Chairman, United Kingdom Sugar Merchants' Association

Sir — If the role of the sugar merchants was really as described in John Edwards' article "EEC key to British Sugar closures plan" (February 17) I would agree with British Sugar that it was "an absurd anachronism." It is not, however, as he describes. More importantly, the merchants' customers recognise that it is not, which is why 80 per cent of the sugar sold in the U.K. is sold through sugar merchants.

The complaint made by some merchants to the EEC Commission is not that British Sugar is widening its direct sales to big consumers, but that it is doing so by means which are unfair and discriminatory and which are only possible because of the dominant position which British Sugar enjoys today in the UK market.

The sugar merchants represent an unwelcome source of competition to British Sugar for three reasons: They offer independent and unbiased advice to their customers on the special deals being offered by UK refiners; they make their own prices in competition with UK refiners where they have bought sugar on contracts; and they handle the major part of sugar that is imported from the rest of the EEC. British Sugar has done its best to eliminate the first two, which must inevitably in the long term affect the ability of merchants to import EEC sugar. Although British Sugar might object to Continental sugar import users of sugar, it recognises that these imports are a vital third source of supply which is why the level

is likely to remain at the present figure of 150,000 tonnes.

As a pure point of fact, invoicing of customers and organising deliveries has always been and still is the responsibility of merchants, and not of the UK refiners. The refiners deal with physical deliveries.

P. G. Ridgwell, The United Kingdom Sugar Merchants' Association, Cereal House, 58 Mark Lane, E.C3.

Pensions funding

From Mr. R. Nottage

Sir — Mr. Sibly of the Legal and General Assurance Society (February 17) gravely misleads your readers when he states that "the National Insurance scheme is a pay-as-you-go scheme."

The scheme is financed in two separate ways. For the contracted employees the pay-as-you-go method is used exclusively. For the contracted out, however, the state scheme's additional (earnings-related) pension component is assumed to be funded; and it is, in fact, so financed for the majority of the 10m contracted out employees.

The present cost of the NI scheme is thus the sum of the payments made currently from the NI fund, and the necessary contributions to the contracting out employers' pension fund in respect of the statutory pensions for which they accepted liability.

If some years ago Legal and General had used its powerful influence to persuade all employers to contract into the state pension scheme, and had succeeded in this, we should be in that happy state which, alas, now exists only in Mr. Sibly's imagination. The NI scheme would be financed wholly on the PAYG basis and, as I explained (February 10), the national insurance general contribution rate in 1981-82 would merely be only 13.7 per cent instead of the 16.5 per cent to which the contracted out employers have raised it.

Raymond Nottage, 36 Arkwright Road, NW3.

Learning the language

From the Chairman, Language Teaching Systems Committee, Industrial Council for Educational and Training Technology

Sir — Michael Dixon's analysis (February 14) of the excessive burdens placed upon UK-based English teaching institutions and the advantage given to overseas competitors, with the consequent dramatic fall in invisible export earnings for this country, is both accurate and disturbing.

The demand for English language teaching is not however limited to places in schools in Britain or the U.S. In the great majority of development and industrialisation projects overseas, English is the preferred medium for "technology transfer," or in simpler terms, education and training of local staff, and carries with it ever-increasing demand for consultancy and planning advice, equipment, materials and professional staff.

It is the view of the UK providers of such services that

three things are required if we are to exploit successfully the export potential of our language, and not leave it to better organised competitors: close co-operation between the UK private sector in the form of trade associations, and public sector organisations in the field, particularly the British Overseas Trade Board and the British Council, to ensure that opportunities arising from commercial and development activities are identified and followed up rapidly; accurate identification of clients' needs, and matching these to appropriate resources and services, whether ready-made or specially designed; and correct contractual integration of educational, technical and commercial factors by prime contractors, bearing in mind that language training is an "enabling factor" with a long lead time.

I would emphasise that the sector of the industry dealing with English as a foreign language and English for specific purposes has grown substantially in stature over the past 10 years, and is physically capable of meeting and continuing to meet the need for expertise and resources, provided the necessary co-ordination and de facto recognition is given to it by those concerned with exports, overseas contracts, and international trade.

None of this should suggest that British exporters can rely on the spread of English to obtain their orders. As a matter of prestige and prudence, customers often prefer to negotiate contracts in their own language. At the least, evidence of a genuine effort to learn the language of his host gains disproportionate good will for the sales executive.

The case for British exporters to ensure that their sales staff are trained in the language of their clients has been well made by others, and reinforced by Michael Dixon. The sector of the education industry providing such training services is now capable of meeting their needs, with appropriate emphasis on the practical use of languages in particular product and commercial areas.

John Webb, Leicester House, 5, Leicester Street, WC2.

Cartwheels and somersaults

From Mr. M. Greener

Sir — It was interesting to note the somewhat odd choice of metaphor chosen by those who apparently sought the manner Mrs. Thatcher over the manner Mr. Thatcher. The Government offered to bail out the National Coal Board.

A Welsh union leader, accused "the lady" of not merely turning about but describing a cartwheel. An Opposition spokesman referred to her as making not an U-turn but a somersault.

I believe that I am correct in stating that the execution of either a cartwheel or a somersault not only requires no uncertain skill but has the useful effect of leaving the protagonist squarely facing in the same direction as before. Such an outcome must surely be the last thing that the Prime Minister's critics could have desired.

Michael Greener, 8, Romilly Park, Barry, S. Glam.

Today's Events

GENERAL

U.K. Lord Soames, Lord President of the Council, meets leaders of nine civil service unions to discuss pay.

Mrs. Margaret Thatcher hosts evening reception at Downing Street to managers and employees from 36 of Britain's most successful small and medium companies.

First meeting of Committee of Inquiry to investigate allegations of Continental caught fish being "dumped" in Britain.

Mr. Roy Jenkins gives Institute of Fiscal Studies lecture on "British Economic Scene Revisited," Royal Institution, 21, Albermarle Street, London, W.1, 5.30 p.m.

Mr. James Prior, Employment

Secretary, presents British Association of Industrial Editors

Communicator of the Year Award for 1981, Savoy Hotel, London.

Two-day Westminster Chamber of Commerce conference opens on Import Procedures, Mitre House, Regents Street, London, W1.

Church of England General Synod begins, London.

Overseas: Two-day meeting of EEC Agriculture Ministers opens in Brussels to give preliminary consideration to the Commission's price proposals for 1981.

Britain and Argentina renew

talks in New York on future of Falkland Islands.

Soviet Communist Party Congress, Moscow.

Kuwait National Assembly elections.

Pope John Paul begins three-day visit to Japan.

PARLIAMENTARY BUSINESS House of Commons. Second reading of Energy Conservation Bill (Lords).

House of Lords: Debate on report of Select Committee on Science and Technology on scientific aspects of forestry.

Debate on Government's statement on forestry policy.

Select Committees: Home Affairs. Subject: Administration of Prison Service. Witnesses: Society of Civil and Public Servants, Home Office Prison Department (Outstations) Branch 4.30 p.m. Room 8. Public Accounts: Subject: Advances to Commonwealth Development Corporation and Excess Votes. Witnesses: Sir Peter Preston, Permanent Secretary, Overseas Development Administration. (4.45 p.m. Room 16).

OFFICIAL STATISTICS

New vehicle registrations (January).

COMPANY MEETINGS

See Week's Financial Diary on Page 18.

Al Saudi Banque announces two new offices in London.

Two new London offices further extend the bank's services to existing clients as well as providing UK based companies with the expertise—contract, project and trade finance—needed to develop successful commercial relationships in Saudi Arabia and the rest of the Arab world.

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NEWS ANALYSIS—FRANCIS BID FOR EVERED

Offer has very little chance of success

BY TERRY GARRETT

SHAREHOLDERS in Evered can be forgiven for being confused. Tomorrow is the closing date for a 22p a share cash offer from Francis Industries which, though agreed by the board, has very little chance of success.

Both companies share a common chairman in Mr. Sandy Saunders. The bid is not generous, valuing the company at under £1.3m, but it initially had all the hallmarks of a small deal which would go through with barely a ripple.

The Evered board, Sandy Saunders apart, has stood aside from negotiations, has grudgingly agreed because it is hardly in a position to mount much of a defence. The company is losing money although heavy rationalisation costs produced much of the slide in the company's net worth to £2.2m last year. Dividend prospects look bleak.

Morgan Grenfell, adviser to Evered, has tried to find other bidders but to no avail. Buyers there are for parts of the business, but the group is an

amalgam of loosely knitted companies with little relationship. There is a non-ferrous strip and tube company, a non-ferrous metals stockholder, a small locks business and a castors and wheels manufacturer. The latter if not the jewel is at least the brightest rhinestone of the crown.

Last October, Francis tried to pluck the castors business from Evered with a £3m offer that was turned down.

A 22p a share cash offer, though a long way from the book value of 35.6p, is still 6p higher than the market price ahead of the approach. It is an opportunistic bid, but pitched at a level that shareholders could not have expected to see in the market for some time if it had not been made.

Some Saudi businessmen, however, are not impressed. They have held a 12 per cent stake in Evered for a couple of years and quickly went into the market after Francis' announcement taking their holding up to 29.96 per cent at prices around 25p. A further 7.57 per cent has

been snapped up by a Swiss company through a UK nominee. Again the beneficial owner is thought to have Saudi connections.

Last, but not least, the Astra Industrial which has increased its holding to 16 1/2 per cent at prices in excess of the Francis bid. Mr. Dennis Dukes, chairman of Astra, is keeping very quiet, but when he bought his original 10.6 per cent holding last September he displayed interest in Evered's property assets.

Is a rival bid on the way? Not from the Saudis anyway. They do not intend to make a counter offer, but want to become more active in Evered's affairs. Mr. Abdullah, talking on behalf of the Saudis, says that through their industrial interests in the Middle East they should be able to expand Evered's business in the future.

He talks of "firm plans" but will not disclose these while Evered is under threat from Francis. If Evered remains independent the Saudis would like board representation.

Yet the Saudis have sat on their stake for a long time without revealing any plans that could breathe fresh life into Evered. The Francis bid perhaps concentrated their minds—the original stake having also been bought above the bid price—but if the manoeuvres are tactics to squeeze a higher bid out of Francis, they have failed.

On Thursday, Francis stated that it would not raise its offer and under the City rules that is binding for a 12-month period.

Shareholders are faced with a basic choice — to stay with Evered or get out. To stay is to take the view that Mr. Saunders will turn the company round. Much of the groundwork has already been done and his track record at Brooke Tool and Francis is impressive enough to think he can do the job.

The problem at Evered is purely a matter of volume. The current six months is likely to remain tough, but the closing months of the year could see a return to the black. Also, of

course, those Saudis might have something interesting up their sleeves and they have shown some willingness to inject much needed cash.

For those wanting to dispose of their Evered holdings accepting the bid may not be the best way out. There is every chance that the Francis offer will lapse. The Evered directors have accepted as to 4.2 per cent and Francis can count on perhaps another 10 per cent from Evered's founding family, but it is hard to see Francis winning enough to make it worth continuing the battle.

M and G Recovery Fund sits on 9.9 per cent and does not seem in a hurry to accept, and Britannic has sold its holding in the market which leaves perhaps 20 per cent in the hands of small shareholders.

If they accept, Francis may well extend its offer but it has made it plain that it is not keen to be stuck with a large minority interest in the unlikely event that it gets over 50 per cent.

Tax rise hits Abbey Panels

Net profits at Abbey Panels Investments dropped back in the year ending September 30, 1980, due to a sharp rise in tax charges. The final dividend is halved at 0.75p (1.5p), making a total of 2.05p (2.8p).

The sheet metal company lifted pre-tax profits to £57,323 (£509,341), but after tax of £548,738 (£2,571,131), net profits were down from £371,470 to £381,585. Turnover rose to £10.15m (£9.98m).

Earnings per 25p share were 16.58p (18.57p). Dividends cost £24,506 (£28,014) leaving retained profits of £307,179 (£343,456).

The meeting will be held on March 30.

Sharp fall at Adams and Gibbon

THE OUTLOOK remains uncertain at Adams and Gibbon, the garage proprietor and motor dealer, following a sharp downturn for the year to November 30, 1980. Pre-tax profits slumped from £782,000 to £157,000 and the final dividend is 2.5p (4p).

The Board says that though trading in 1981 shows little sign of improvement, policies designed to reduce short-term borrowing have been introduced. Vehicle franchises for Vauxhall, Bedford, Peugeot-Citroen and Toyota are well established and the Board has every confidence that current difficulties can be overcome.

However, former levels of profitability are unlikely to be attained until the present recession is over. Interest took £662,000 (£491,000) and there was a tax credit of £73,000 (£232,000 charge). Retained profit was down to £138,000 (£441,000).

down to \$188,000 (\$244,000).			
SPAIN		May 19	
High	Low	Price	
286	203	Banco Bilbao	283
338	217	Banco Central	323
1,076	606	Banco Exterior	288
279	200	Banco Hispano	285
137	120	Banco Ind. Cat.	125
176	141	Banco Madrid	141
348	230	Banco Santander	332
190	140	Banco Urquijo	183
320	208	Banco Vizcaya	310
230	200	Banco Zaragoza	222
126	75	Dragados	124
62	45	Española Zinc	67
59.7	52.2	Famsa	58.2
71.7	58.7	Gal. Preciados	33.5
51.7	50.7	Midvale	65
63	55	Indurquin	58.2
120	77	Petroleros	89.2
80	59	Pamplona	70
115	63	Sogefisa	102
93.5	51.5	Telefonos	61.7
67	58.2	Union Elect.	53.7

Kunick suspended at 8p

Kunick, the clothing manufacturer, which reported a sudden drop into losses of £148,000 pre-tax for the year to last May, asked for its shares to be suspended in the market. The suspension price was 8p; an announcement is to be made shortly.

In his statement last December, Mr. A. Chatalos, chairman, said that negotiations were in progress for insurance claims for consequential losses following last year's fire.

Scottish Utd. earns and pays more

Revenue available to Scottish United Investors came through ahead from £2.48m to £2.51m for 1980, and the dividend is stepped up to 2.5p net per 25p share against 2.15p, with a final of 1.45p.

Also proposed is a one-for-two scrip issue. At December 31, earnings are shown as 2.26p (2.23p) per share and from net assets of £115.85m (£87.68m) the value per share is given as 104.5p (78.1p), an increase of 32.1 per cent.

Setback for W. Dawson (Holdings)

NET PROFITS of William Dawson (Holdings), book publisher and supplier, fell from £364,000 to £106,000 in the year to September 30, 1980. The net figure was struck after exceptional debits amounting to £203,000 (£318,000) and tax, which has not been disclosed. Turnover rose from £16.72m to £18.08m.

Stated earnings per 10p have fallen from 9.23p to 2.57p, and the dividend is cut from 2.3p to 0.75p. The company's shares are dealt in under Rule 183.

The directors say subsidiaries Surridge Dawson and Dawson-France SA have performed well. The mainstream operations of the parent company have had another difficult year, but have shown a positive result.

Antiquarian bookselling and publishing have incurred substantial losses. The contribution of the company's UK operations should become positive again, thus restoring the underlying level of group profitability, they say.

BLAGDEN & NOAKES
Rheem International Inc. has recently acquired a further 63,000 ordinary shares in Blagden and Noakes (Holdings), thereby increasing its holding to 963,000 ordinary shares (9.04 per cent).

Henlys showing an improvement

IN THE first quarter of the current year, conditions in the new car market remained similar to those experienced in the second half of last year. Mr. Gordon Chandler, chairman of Henlys, the motor dealer, says in his annual review.

The group's major subsidiary, R. Cripps, dealing in construction and agricultural equipment and Rolls-Royce diesel engines—made a poor start, but more recently there has been a small recovery in its operations, and some limited signs of improvement in new and used car trading.

Good results from the leasing division have been maintained in the opening months. Property sales, following branch closures, have been going forward. Disposals in the year ended September 30, 1980, realised £508,000 and in the current year properties either sold or under contract will realise an aggregate of £1.35m.

FT Share Information

The following securities have been added to the Share Information Service:
Ceres Resources (Section: Oil and Gas)
Pennine Resources (Oil and Gas)
Wolverhampton Steam Laundry (Industrials).

BOARD MEETINGS	
The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interim or final.	
TODAY	
Guinness	Trust of Guernsey
Islands	Charles Baynes, Channel Islands and International Investment
FUTURE DATES	
Interim	Properties
Great Eastern Properties	Mar. 3
London Ship Property Tr.	Mar. 4
Nelson	Mar. 4
Interim	Investment
Sanro Cons. Industries	Mar. 18
Jacobs (John I.)	Mar. 18
Law Debenture	Mar. 18
Telephone Rentals	May 5

a further £550,000 being expected for disposals nearing contract stage.

"There will be further improvements in Henlys' balance sheet and liquidity as remaining properties are sold," Mr. Chandler states. In particular they will facilitate the group's determined approach to new investment in areas which will provide a more broadly based business with enhanced long-term profit potential.

Kellock subdivision

The directors of Kellock Trust are seeking shareholders' approval of a subdivision of the company's ordinary and convertible preference shares, at an extraordinary meeting.

They say they have been aware for some time that it has become increasingly difficult to

This policy includes both continuing diversification of the franchise base in motor distribution and also into new, related, fields in leisure and distribution.

The borrowing position is improving, says the chairman. As reported on January 23, the group plunged from profits of £4.31m to a loss of £387,000 for 1979-80, and the dividend was cut to 6p (8.1p).

On a CCA basis, loss at the pre-tax stage, is increased to £2.65m.

Rethink on structure of sick pay plans

BY ERIC SHORT

THE GOVERNMENT'S decision this month to postpone the implementation of its sick pay proposals was not unexpected given the strength of opposition by trade unions, poverty pressure groups and employers.

More time is being given to consider the scheme's structure. Under the Government's original proposal, employers would take over responsibility for paying sickness benefits during the first eight weeks of an employee's illness. This benefit would be a flat weekly payment related to current social security sickness benefits—on current levels around £35 a week. There would be no extra payments for wife and children as with social security payments.

Reimbursed

Employers meanwhile would be reimbursed by having their National Insurance contributions reduced by 0.6 per cent. It is on this last point that the Confederation of British Industry opposed the scheme.

Under the present system, an employer pays the same rate of National Insurance contribution irrespective of his employees' sickness record. This pooling of risks is a universal insurance precept.

With the new scheme, companies with poor sickness records would be paying out more in benefits than their NI reduction would offset, while those companies with light sickness experience would benefit from the change. The CBI did not like this.

Instead, it has proposed that employers should deduct the cost of paying sickness benefits from their monthly NI contributions—they would not, therefore, be paying any extra for the sickness of their employees. The Government can see all kinds of flaws in this proposal, but it is taking time to study it in depth, presumably to see if it can devise some method of compensation that will be acceptable to the CBI.

The Government's proposals have drawn the attention of employers to the possibility of having to contribute paying employees while they are ill even under the present system. The levels of social security benefits are inadequate and demand is likely to grow for employers to make up employees' earnings during sickness. Employers are looking for some form of insurance sickness scheme to cover the fluctuations in cost.

Employee benefit consultants

Willis Faber report a growing interest in the trustee type of scheme which emerged a year or two ago.

Under these schemes a trust is established by the employer to pay sickness benefits, the cost of such benefits being insured with an insurance company. When an employee becomes ill, the insurance company pay the trustees the benefit and this is passed on to the employee. There are two reasons for this somewhat roundabout arrangement.

Firstly, the employee is not on the payroll, so the company does not have to pay National Insurance contributions. These contributions are regarded by many as a payroll tax and employers are reluctant to pay such a tax for an employee who is not working.

Secondly, under current legislation the benefit paid is not taxable as earnings providing the employee is not earning £8,500 or more. If the employee's levels can match the employer's net take-home pay without the need for the employer to allow for tax.

Consider a married employee earning £110. His net take-home pay after tax and National Insurance is around £75. The employer has only to pay £75 to the scheme for this employee and saves £12 in National Insurance contributions for a net cost of £63.

Dilute benefits

The Government proposals will dilute the benefits of such schemes but not remove them altogether. The employer would have to pay NI contributions up to the benefit level, since this would be treated as earnings with the employee still on the payroll. The employee would also have to pay NI contributions. But above this level the scheme could operate for the rest of the earnings.

The Government feels that under its proposals, companies could insure the cost of paying the legal sickness benefits. The scheme described above would not work, and as yet no insurance company has been prepared to offer a scheme on the market. The only feature of such a scheme would be to avoid heavy payments in times of widespread sickness.

In general, most employers are going to have to carry their own risk for the legal requirement and so should back the CBI proposals as being the only way to avoid heavy costs through prolonged illness by employees.



Trade Development Financial Services N.V.

U.S. \$40,000,000

Guaranteed Floating Rate Notes Due 1986

In accordance with the provisions of the Notes, notice is hereby given that for the six month Interest Period from 23rd February, 1981 to 24th August, 1981 the Notes will carry an Interest Rate of 17 1/2 % per annum. The relevant Interest Payment Date will be 24th August, 1981.

Credit Suisse First Boston Limited
Agent Bank

U.S. \$25,000,000

Floating Rate Notes Due 1984

Banco Latinoamericano de Exportaciones S.A.



In accordance with the provisions of the Notes, notice is hereby given that for the interest period from February 23, 1981 to August 24, 1981 the Notes will carry an interest rate of 17 1/2 % per annum. The interest payable on the relevant interest payment date, August 24, 1981, against Coupon No. 4 will be US\$89.42.

Merrill Lynch International Bank Limited
Agent Bank



Midland Bank Limited

U.S. \$50,000,000 Floating Rate Capital Notes 1983

For the six months 23rd February, 1981 to 24th August, 1981 the Notes will carry an interest rate of 17 1/2 % per cent. per annum.

Listed on The London Stock Exchange.

Principal Paying Agent:
European-American Bank & Trust Company,
10 Hanover Square, New York, NY 10005, USA.
Agent Bank: Morgan Guaranty Trust Company of New York, London



Bank of Ireland

U.S. \$50,000,000

Floating Rate Capital Notes 1989

In accordance with the provisions of the Notes notice is hereby given that for the three months interest period from 23rd February, 1981 to 26th May, 1981 the Notes will carry an Interest Rate of 17 1/2 % per annum. The interest payable on the relevant interest payment date, 26th May, 1981 against Coupon No. 6 will be U.S. \$45.20.

By Morgan Guaranty Trust Company of New York, London
Agent Bank

M. J. H. Nightingale & Co. Limited

27/28 Lovat Lane London EC3R 8EB Telephone 01-421 1212

000's capital/m.	Company	Last Change	Gross Div	Yield %	P/E
3,700	Alarprang	84	+ 1	6.7	10.5
1,076	Amalgamated	43	—	1.4	3.3
1,609	Bardon Hill	180	—	8.7	17.7
7,308	Deborah Services	95	—	5.5	5.3
3,574	Frank Horrell	106	—	6.4	8.0
7,512	Frederick Parker	52	+ 1	11.0	21.2
1,576	George Blair	74	—	31.3	2.4
2,675	Jackman Group	107	+ 1	6.5	6.4
15,424	James Burroughs	119	—	7.9	6.6
3,368	Robert Jenkins	330	—	5.3	9.8
2,640	Scotronics	54	+ 1	5.3	9.8
2,437	Twinkl Ord.	217	+ 1	15.1	7.0
1,938	Twinkl 19% VLS	71	—	15.0	21.1
6,268	Unilock Holdings	41	+ 2	3.0	7.3
13,033	Walter Alexander	103	—	5.7	6.5
6,081	W. S. Yeates	281	- 2	12.1	4.8

FINANCE FOR INDUSTRY TERM DEPOSITS.

Deposits of £1,000-£50,000 accepted for fixed terms of 3-10 years. Interest paid gross, half-yearly. Rates for deposits received not later than 6/3/81.

TERMS (years) 3 4 5 6 7 8 9 10

INTEREST % 13 13 13 13 13 13 13 14

Deposits to and further information from The Chief Cashier, Finance for Industry Limited, 91 Waterloo Rd., London SE1 8XP (01-928 7822, Ext. 367).

Cheques payable to "Bank of England, a/c FFI" FFI is the holding company for ICFC and FCI.

FFI

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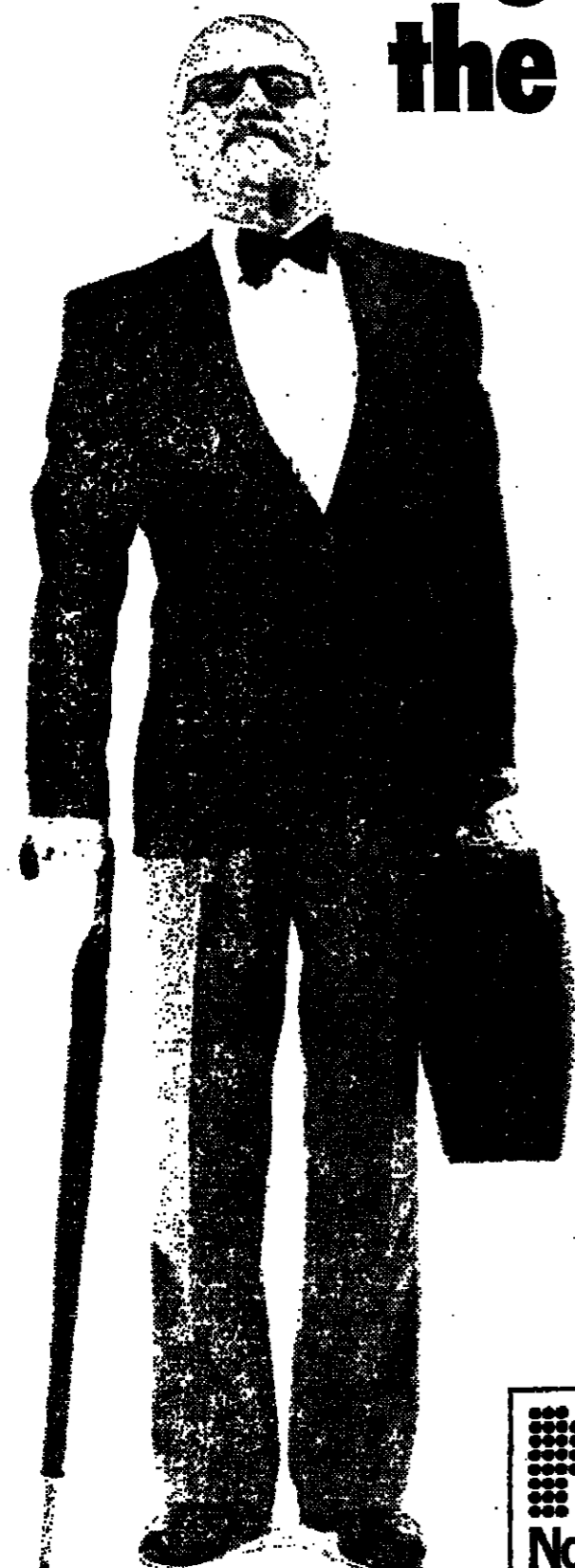
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It takes guts to choose the best computer



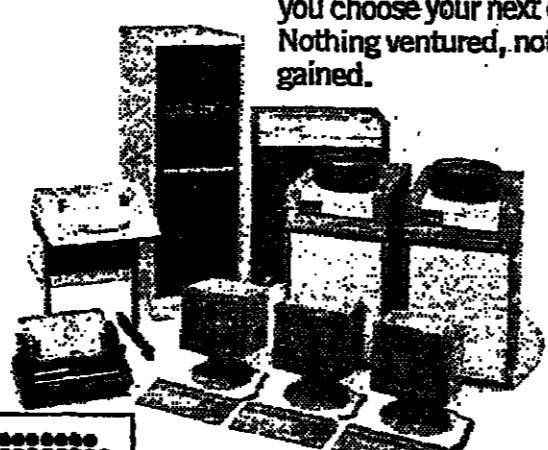
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Companies and Markets

CREDITS

Italy faces a \$2bn hurdle

BY PETER MONTAGNON

ITALY seems likely to face some tough decisions this week on the fate of its \$2bn Euro-credit intended to finance reconstruction of the areas ravaged by the earthquake in the Naples region last November.

Resistance to the loan continues in the Euro-market because of its large amount and fine terms despite a major marketing effort by the lead managers, Bankers Trust.

Last Tuesday Bankers Trust agreed to share out the \$1m special fee it expected to receive for arranging the loan among all banks willing to join as lead managers for an underwriting commitment of \$66.6m apiece.

But with only just over half the loan covered, many Euro-market bankers now say that Italy has little choice but to reduce the amount or raise the margin if it is willing to pay.

Officials at Bankers Trust say the U.S. bank has made no such request to the Italian Treasury

but other bankers say they remain extremely reluctant to join the loan, principally because they fear it would be difficult to sell in the retail market.

The margins, which comprise a split of 1.5 points over U.S. prime rate or 1.5 over London inter-bank offered rate, simply do not appeal at the retail level, they argue. This means that lead managers would risk having to keep a large portion of their underwriting commitment on their own books.

Italy's experience with this credit is the strongest example so far of market resistance developing towards borrowers who try to raise money on extremely fine terms.

It follows an attempt by Mexico's Nafinsa to raise \$300m through a credit that bore a margin of only 1/16 over prime rate for part of its life. This attempt was rebuffed by the market even before a formal mandate was awarded. It now appears likely to be some time before efforts to reinstate the

operation on different terms are started, and meanwhile Nafinsa is raising \$100m by means of a floating rate note.

By contrast a mandate which did emerge for a Mexican public sector borrower last week is understood to involve a fairly standard pricing of 1 per cent over Libor for eight years. The borrower is the state-owned fertiliser concern, Fertimex, which is raising \$100m through Banco Nacional de Mexico.

Now confirmed is the \$300m mandate for Brazil's Cia Vale do Rio Doce which bears a margin of 2 1/2 per cent over Libor or 2 per cent over prime for eight years. The 10 banks in the lead management group are Arab Banking Corporation, Bank of Tokyo, Bankers Trust, Chase, Citibank, Dresdner, Industrial Bank of Japan, Morgan Guaranty, National Bank of Canada and Royal Bank of Canada.

Elsewhere in Latin America, a number of credits in the pipeline for Peru have been stalled

ahead of a meeting early this week to discuss reorganising part of the two-year old restructuring package of Peru's foreign debt. Market conditions for Peru have improved significantly since the rescheduling was arranged and the meeting, to be chaired by Manufacturers Hanover in New York, will consider a request from Peru for some of the rescheduled finance to be reorganised on more favourable terms.

Bankers involved in lending to Eastern Europe will be watching closely for developments after the meeting between Poland and its Western creditors, governments which opens today in Paris. News over the weekend that the Soviet Union has agreed to reschedule part of its credit to Poland is seen as a potentially significant development but it is thought unlikely to be followed by a definitive agreement at government level in Paris.

Poland has still to schedule a follow-up meeting with banks

after its exploratory discussions on financial credits in Vienna last month. While such a meeting could hardly be conclusive without prior agreement by governments on export credits, many bankers are becoming increasingly anxious for more information on the latest developments in the Polish economy.

Some are also wondering how far the Polish debt problem will affect lending to other Eastern European countries this year. That deals for other borrowers are still just about possible is evidenced by the sell-down of roughly 20 per cent on the latest \$250m credit for East Germany's Deutsche Ausenhandelsbank managed by Credit Lyonnais.

In Asia, Taiwan has achieved a fine margin on its latest \$100m credit for Taipei. The 10-year deal carries a margin of 1/2 per cent throughout with 5 1/2 years grace. Led by CCF it marks a slight improvement on terms of recent deals which have been priced at a split rate of 1/4.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	m. Amount	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
USVaco Int'l. Fin. NV	20	1996	15	8 1/4	100	CSFB	6.500
ITC Canada	250	1988	7	14 1/4	100	Salomon Bros.	5.576
ITC Canada	100	1988/91	7	5 1/4	100	Salomon Bros., SBC	5.576
ITC Canada	25	1996	15	7 1/4	100	Nikko Securities	5.319
ITC Canada	225	1988	7 1/2	5 1/2	100	S. G. Warburg	5.319
FRENCH FRANCS							
Solvay et cie	200	1986	5	14 1/2	100	BUE	10.000
SWISS FRANCS							
Voralberg Kraftwerke	50	1991	—	6 1/2	100	Credit Suisse	6.500
Standard Bank Imp.	42	1984	—	6 1/2	99 1/2	Soditic	6.690
Standard Bank Imp.	35	1984	—	6 1/2	100	Nordfinanz-Bank	6.625
Mitsui Bank	20	1986	—	6 1/2	100	Swiss Volksbank	6.625
Fujita	50	1986	—	6 1/2	100	Credit Suisse	6.750
Centrale Rabobank	50	1991	—	6 1/2	100	SBC	6.500
SENA (g'teed EDF)	25	1991	—	6 1/2	100	CCF (Suisse)	6.750
Hydrocarbon Int'l. Hldgs. (g'teed Agip SpA)	75	1986	—	7	100	Ultrafin AG	7.000
YEN							
World Bank	20	1991	10	8 1/2	100	Nomura Securities	6.750
World Bank	15	1996	12.3	8 1/2	99.40	Nikko Securities	8.756

* Not yet priced. † Final terms. ** Placement. † Floating rate note. * Minimum. † Convertible. † Registered with U.S. Securities and Exchange Commission. † Purchase Fund. Note: Yields are calculated on an AIBD basis.

INTERNATIONAL BONDS

Currencies call the tune

BY FRANCIS GHILES

ANY PROSPECTIVE buyer of Eurobonds who had been looking for a market rally in the dollar sector after President Reagan's speech last Wednesday must have been disappointed. During the past two days of the week fixed interest dollar bonds gained 1/4 of a point, with dealers reporting a low level of investor interest.

The other two major sectors remained in the thrall of the currency markets. As the D-Mark and Swiss franc strengthened against the dollar after mid-week, seasoned foreign bonds denominated in these two currencies bounced back. The strengthening was most noticeable in Switzerland, where prices gained 3/4 of a point in the last two trading days of the week.

The volume of trading in Eurobonds ran at a rather low level all week and even the amount of swapping from Eurobonds into U.S. domestic and Treasury bonds tailed off as the yield differential in favour of the latter narrowed. Dealers said that interest in

straight bonds was concentrated on paper of up to three months maturity and yielding around or above 15 per cent.

Most bankers and investors still have considerable doubts that President Reagan might have some difficulty in getting his package of economic measures through Congress.

Caution prevails all the more as analysts are now convinced that U.S. interest rates will remain high. This militates against further attempts by bond-holders to impose any new finely priced issues on the market during the next few weeks.

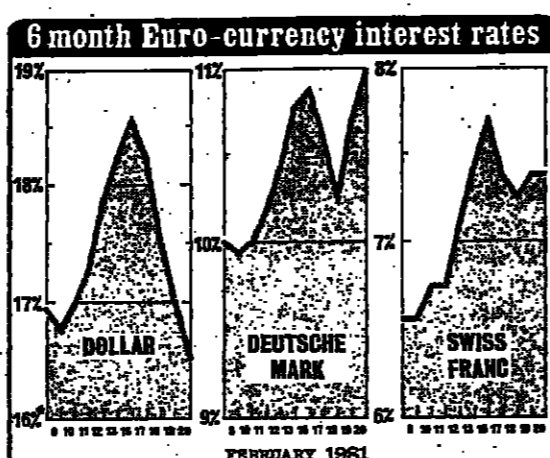
What happens when such a bond is floated was again illustrated last week when the 131 per cent bond to 1986 for Canada's Eldorado Nuclear shed four points off its issue price of 99 1/4 on its first-day of trading. It closed on Friday at about the same level.

Only one convertible and two floating rate note issues were launched in the dollar sector last week. The FRN for

the Mexican state bank, Nafinsa, surprised bankers who had been expecting an FRN for Pemex, the Mexican state oil company, to be launched first. The seven-year initial maturity on the Nafinsa can be extended to 1991 at the note holder's option.

Prices in the D-Mark foreign market improved but dealers do

not see a bright outlook for this sector. They pointed out that an increase in D-Mark interest rates which should result from the Bundesbank's decision to suspend the Lombard rate would attract foreign funds into short-term deposits rather than longer dated bonds. Six-month Euro D-Mark rates already



standing at a higher level, 11 per cent, than the yield offered on many seasoned D-Mark foreign bonds.

The two bonds launched last week, for the ECSC and the Inter American Development Bank, both offer 10 per cent coupons, an exceptionally high level for prime borrowers in this market.

Swiss franc foreign bonds had a good week, despite the weakness of the Swiss franc against the dollar on Monday and Tuesday. The coupon level of 6 1/2 per cent reached in the past two weeks is attracting good investor demand and the 6 1/2 per cent bond to 1991 for Voralberg Kraftwerke was more than twice oversubscribed.

U.S. INTEREST RATES

	Week to Feb. 20	Week to Feb. 13
Fed funds wky avg	15.33	15.86
1-month T-bill	14.05	14.00
3-month CDs	15.00	15.00
Treas 30-year bond	12.71	12.96
AAA int long-term	12.75	12.50
AA int long-term	13.88	14.12

Source: Salomon Bros. estimates.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR		Issued	Bid	Offer	Day	Week	Yield
STRAIGHTS							
Alcoa 13 3/8		75	98 1/2	99 1/2	0	+0 1/4	14.41
CECA 11 1/2		100	98 1/2	99 1/2	0	0	14.17
CNE 12 1/2		100	98 1/2	99 1/2	0	0	14.32
Comstock O/S Fin. 12 88		300	98 1/2	99 1/2	0	+0 1/4	14.32
Citicorp O/S Fin. 12 87		200	98 1/2	99 1/2	0	0	14.35
Con. Illinois O/S 9 1/2		150	98 1/2	99 1/2	0	+0 1/4	14.44
Denmark 11 1/2		100	98 1/2	99 1/2	0	0	14.44
Dupont 11 1/2		65	98 1/2	99 1/2	0	+0 1/4	14.31
EEC 11 35 (May)		75	98 1/2	99 1/2	0	0	14.35
EEC 11 35 (August)		75	98 1/2	99 1/2	0	0	14.35
EEC 12 1/2 (Nov)		75	98 1/2	99 1/2	0	0	14.44
Export Finance 12 1/2		75	98 1/2	99 1/2	0	0	14.44
Esportifinme 9 1/2		75	98 1/2	99 1/2	0	+0 1/4	13.88
Elec. de France 10 88		125	91 1/2	91 1/2	0	+0 1/4	14.14
Elec. de France 13 88		125	91 1/2	91 1/2	0	+0 1/4	14.14
Finland 12 1/2		100	98 1/2	99 1/2	0	0	14.44
Finland 13 1/2		100	98 1/2	99 1/2	0	0	14.44
Finland 14 1/2		100	98 1/2	99 1/2	0	0	14.44
Finland 15 1/2		100	98 1/2	99 1/2	0	0	14.44
Finland 16 1/2		100	98 1/2	99 1/2	0	0	14.44
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Finland 18 1/2		100	98 1/2	99 1/2	0	0	14.44
Finland 19 1/2		100	98 1/2	99 1/2	0	0	14.44
Finland 20 1/2		100	98 1/2	99 1/2	0	0	14.44
Finland 21 1/2		100	98 1/2	99 1/2	0	0	14.44
Finland 22 1/2		100	98 1/2	99 1/2	0	0	14.44
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Finland 85 1/2		100	98 1/2	99 1/2	0	0	14.44
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Finland 90 1/2		100	98 1/2	99 1/2	0	0	14.44
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Finland 92 1/2		100	98 1/2	99 1/2	0	0	14.44
Finland 93 1/2		100	98 1/2	99 1/2	0	0	14.44
Finland 94 1/2		100	98 1/2	99 1/2	0	0	14.44
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Finland 96 1/2		100	98 1/2	99 1/2	0	0	14.44
Finland 97 1/2		100	98 1/2	99 1/2	0	0	14.44
Finland 98 1/2		100	98 1/2	99 1/2	0	0	14.44
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MERCHANT BANKERS
NUNEZ DE BALBOA, 108
MADRID

Technical Page

EDITED BY ARTHUR BENNETT AND ALAN CANE

CMG names Names at Lloyds of London

OFFERED BY CMG (City of London) is a real time interactive package to run on an IBM System 34 computer that will provide Names Agents and Managing Agents at Lloyds with instant up-to-date information on Names and Syndicates.

At Lloyds, "Names" are individuals in a position to bear risk financially in insurance while "Names Agents" are those who look after the affairs of such individuals and place them on syndicates. "Managing Agents" are responsible for appointing the active syndicate underwriter and managing the affairs of the syndicate.

Each of these agents needs up-to-date information about Names and Syndicates with which he is connected and this

is the data that is held in store and provided by the new CMG system.

Called NAMIS (names agents and management information system), it is the result of some 18 months of studies and discussion with presentations to many of the 270 Agents at Lloyds.

NAMIS will assist the Agents to monitor Names and Syndicate business and dramatically reduce the task of correlating Names data.

In addition to containing personal financial data on each Name, the system will record details such as the Name's interest in each syndicate, information on his syndicate's underwriting figures and results for the past 11 years, and his historical limits. CMG is on 01-481 3881.

Trains run on rubber

A ROLLING rubber suspension bush designed to improve the riding and stability of railway bogies has been developed by Silentbloc in collaboration with British Rail engineers.

Modern high-speed trains require suspensions which allow the wheel sets to move with the optimum degree of flexibility both vertically and horizontally. The rolling rubber bushes, fitted inside the vertical coil springs, are claimed to provide horizontal resilience between the axle box and bogie frame while the steel springs both support the vehicle and provide vertical stability.

The horizontal flexibility provided by the rolling bushes eases the bogie through the curves, enabling it to run at

speeds well over 100 mph without "hunting" (lateral instability), while the limited vertical movement helps the vehicle to enter curves without derailing.

British Rail passenger coaches fitted with the improved suspension have successfully completed initial trials at up to 125 mph on the London to Newcastle main line, says Silentbloc. Averaging 4,000 miles a week, the rolling bushes need no maintenance and are expected to last at least 10 years. BR plans to fit the new suspensions to the next series of multiple-unit electric trains, and the power bogies of the Class 317 EMU stock running between Moorgate, St. Pancras and Bedford will be among the first.

Wards off shots and blows

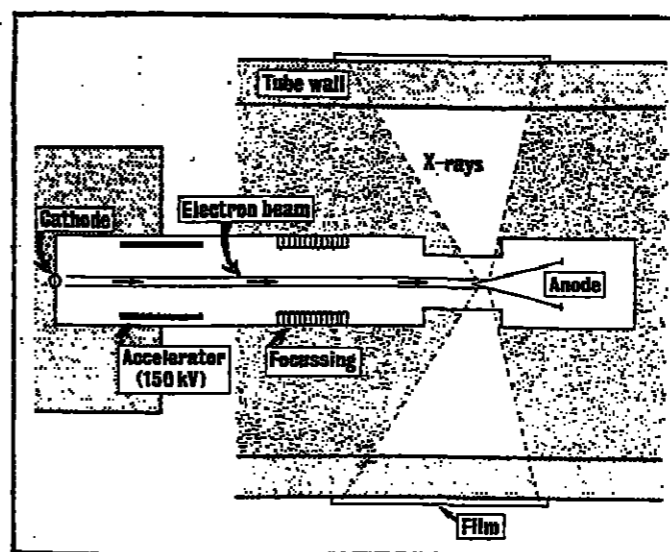
POLICE, SECURITY personnel, and nightwatchmen can all benefit from a new anti-riot helmet produced to a design from a Ministry of Defence specification.

It is made to resist blows of extreme force, and practical experience proves that it offers protection against a range of hand-thrown missiles, as well as indirect hits from low

velocity weapons and shotguns, says the maker, Combat Protection Equipment, Main Street, Stretton, Burton-on-Trent, Staffs. Head laminated from polystyrene, impregnated glass fibre, the helmet weighs only 1.5 kg and its crown is lined with high hysteresis closed cell, expanded polystyrene covered with soft padding allowing it to be worn for long periods without discomfort.

X-ray machine works from the inside out

BY GEOFFREY CHARLISH



Above: section through the Andrex miniature probe. A very narrow beam of high energy electrons strikes a conical anode axially at the apex to give a "disc" of X-rays that penetrate the wall of some tubing under test. The external strip of film produces a high definition picture of say, a circumferential weld. Left: Stuart Tait, a section leader at Rolls Royce's Leamington plant, positions a set of planet gears over the probe.

HDR6, can offer significant long term savings. "One large aerospace company," claims Ian Grant, sales manager of the Cambridge company, "has an annual X-ray film bill of over £25,000—the film costs up to £2 a sheet."

The Andrex system can also be used in a directional rather than 360 degree radial mode. The X-ray beam passes through the specimen in one area only and it then becomes possible to allow the rays to fall on an image intensifier as an alternative to film. This is an electronic

device which on its output side produces an image some 10,000 times brighter than the traditional fluorescent screen. Linked to a closed circuit television system, "real time" X-ray pictures then become possible. Since the probe can reach into confined spaces, prospects for moving mechanism inspection are opened up as well.

Key to the Andrex development is the achievement of a source radiating area only 0.04 mm across, giving a high resolution image. Because X-rays cannot easily be

focused, only a true point source will give an image free of edge shadowing effects on the film placed behind the test object. Furthermore, such a point source allows the film to be moved further away to give enlargement of the image with minimal loss of definition. Thus, hair cracks and other defects in metals that were previously undetectable can now be seen.

Careful design of cathode (the electron emitter), acceleration and focusing electrodes in the electron gun produces an

electron beam only 0.025 mm (about one "thou") across. The beam meets a conical anode axially at its apex and the X-rays resulting from the impact are emitted radially over 360 degrees. By altering the angle of the cone, the disc of rays can be launched somewhat forward or backward down the axis. Various target cones can be substituted in a few minutes.

The head can be lined up laterally with, say, a weld that joins two lengths of tube and the whole weld line photographed in one exposure of film

NEWS IN BRIEF

also claimed, while the reduced electrostatic charge makes the products easier to keep clean. Patents on the invention are pending, says Perstorp.

PROCESSES

A SYSTEM claimed to recover up to 80 per cent of caustic soda from aluminium etch solutions, introduced by G. W. Thornton and Sons, Cheshire (061-428-4271), is designed to provide a consistent bath composition and improved quality control of the product. The hydrated alumina by-product can be sold and the sludge removal problem is largely solved, says Thornton. The system has been developed in Japan by Fuji Sash Industries.

With the Fuji system the precipitation of aluminium hydroxide occurs rapidly in a separate crystallisation tower and not in the etching tank. Caustic soda is thus liberated continuously for re-use. Low concentrations of aluminium in the etch are claimed to give products of high quality.

CHEMICALS

PROMISING TO bridge the gap between standard acrylics and polycarbonate (which is often over-specified, says ICR) is a new compound called Diakon TD 542.

This is the first of a range of TD grades which give greater freedom to designers, together with reduced problems of cracking during subsequent product handling and use.

ICI says that the material also has excellent stress resistance and is thus suitable for applications where contact with aqueous detergents and soap solution is likely.

Where petrol and oils are present, TD offers better resistance to environmental cracking than polycarbonate and is much cheaper than this material.

Because it has a low moisture content, TD 542 is also suitable for injection moulding and extrusion on conventional equipment for acrylic without pre-drying, provided normal storage precautions are observed.

Uses for the material will be in lighting fittings, domelights, lenses, drawing instruments, signs, car number plates, machine guards, safety glazing and kitchen equipment.

More from ICI Plastics Division, Welwyn Garden City, Herts. (Welwyn Garden 234000).

HORTICULTURE

PRICELESS — and, sometimes, irreplaceable plants — at the Royal Botanical Gardens at Kew are nurtured with uncontaminated water from fully automatic two bed de-ionisers made by Elga Products, Lane End, Bucks (0494 881393).

Several Elgamat Duo units are also used in the 300 acre gardens (10 of which are under glass) to turn mains water with a pH of 8.5 into water with an acceptable level of between 4.5 to 6.5 pH.

Most plants grow best in slightly acid conditions, and for many years the Kew greenhouses were fed with rainwater supplemented by river water until the water authorities decided that untreated river water was a health hazard.

By Order of the Board, P. DAVIS, Secretary.

The Secretary, Royal Botanical Gardens, Richmond, Surrey TW9 3EJ.

Trinity House, 12, Trinity Street, Weymouth, Dorset DT4 1AA.

10th February, 1981.

HOME BREWERY COMPANY LIMITED CUMULATIVE PREFERENCE SHARES

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at the House of Commons, 11th March 1981 at 3.30 p.m.

A Member of the Society entitled to attend the meeting must produce to the Secretary a copy of the share certificate or a copy of the entry in the Register of Members.

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By Order of the Board, P. DAVIS, Secretary.

CONTRACTS AND TENDERS

LEMAGA LETRIK NEGARA TANAH MELAYU

THE NATIONAL ELECTRICITY BOARD OF THE STATES OF MALAYA

PORT KLANG POWER STATION—PHASE I

EHV TRANSFORMER CONTRACT

CONTRACT NO. 21/7/81

NOTICE OF INVITATION TO TENDER

The National Electricity Board (NEB) of the States of Malaya plans to invite tenders by May 1981 from manufacturers for the supply, erection and commissioning of EHV transformers for Phase I of Port Klang Power Station on the West Coast of Peninsular Malaysia.

Phase I of the development consists of two 300 MW gas/oil fired boilers, turbine generators, EHV switchgear, transformers and ancillary plant.

The scope of work for the transformer contract includes:

- Two—350 MVA Generator Transformers 20/275kV
- Two—25 MVA Unit Transformers 20/6.6kV
- Three—180 MVA Interbus transformers 275/132kV
- Two—40/25/25MVA Station transformers 132/6.6/6.6kV
- Two—15 MVA 11kV Distribution transformers 132/11kV
- One—29 MVA Black start gas turbine transformer 11/6.6kV

Each transformer will be complete with cooling and tap change equipment and also included are earthing resistors for LV neutral earthing.

A "Brief Description of Works" may be obtained from Ewbank and Partners Ltd at the address given hereunder. It will be necessary for tenders quoting for this contract to have proven experience in the manufacture of plant of this rating and shall have worked in countries other than that of their manufacturing base.

Manufacturers who wish to tender for this contract are requested to state their intention in writing by March 31st, 1981 to the offices of Ewbank and Partners.

The procedures to be followed in obtaining documents are contained in the Brief Description of Works.

Ewbank and Partners Limited
Prudential House,
North Street,
Birmingham, B1 1RW,
United Kingdom.

Interested contractors and suppliers are invited to request the prequalification applications at one of the following addresses:

—Communauté Electrique du Bénin
Direction Générale
BP 1368
Lomé/Togo

—Electrowatt Ingénieurs-Conseils S.A.
Boite Postale
CH-8022 Zurich/Switzerland

—SOGREAH Ingénieurs Conseils
Boite Postale 172
Centre de Tri
F-38042 Grenoble-Cédex/France

The prequalification documents shall be submitted to the CEB prior March 31, 1981, at 17.30 GMT.

Interested contractors and suppliers are invited to request the prequalification applications at one of the following addresses:

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REPUBLIC OF TOGO PEOPLES REPUBLIC OF BENIN

COMMUNAUTÉ ELECTRIQUE DU BENIN

Prequalification announcement

Nangbeto hydropower scheme construction

(on the Mono River in Togo)

The "Communauté Electrique du Bénin" on behalf of the Governments of the Republic of Togo and the People's Republic of Benin invite Contractors and Suppliers interested in the construction of the Nangbeto hydropower scheme to submit their prequalification documents. Both Governments have presented financing demands to the World Bank and other international financing institutions.

During the course of 1981, call of tenders will be issued for the following:

- Civil works for the concrete dam, powerhouse, switchyard and access road (butteress dam 280,000m³, earth dam 1,130,000m³)
- Hydromechanical and electrical equipment for the dam and powerhouse, subdivided in the following individual prequalification lots:
 - turbines (2 Kaplan 30 MW)
 - generators
 - gates and manutention equipment (5 crest gates 10/9m, 4 bottom outlet gates 3.0/3.3m, 2 butterfly valves Ø 5.20, 1 gantry crane 120 t)
 - electrical equipment
- 161 KV transmission line Nangbeto-Momé Hagon (110 km) substation Nangbeto and extension of substation Momé Hagon.

Interested contractors and suppliers are invited to request the prequalification applications at one of the following addresses:

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NEW YORK

[illegible][illegible][illegible]

SWITZERLAND			
1980-81		Feb. 20	Price
High	Low		Amt. \$
1.350	1.000	Alumline	1,015
1.975	1.288	Brown-Boveri	1,250
1.000	750	Imco	800
1.000	740	du Pont (Cort)	760
2.795	2.505	Greid Guss	2,600
1.000	750	Imco	800
890	705	Fischer (Geo)	705
75,760	180	Hoffm-Roche (Pols)	74,750
7,000	1,000	Hoffm-Roche A10	7,000
1.000	750	Imco	800
1.490	1.245	Jeinolt	1,235
1.000	750	Lands & Oyr	1,560
1.000	750	Messli	1,560
8,995	2,350	Reb-Buhrle	2,350
895	745	Pirelli	745
4,940	3,350	Sanander (Fr Cst)	3,350
530	345	Swissinder (Picks)	345
495	310	Swissinder	310
435	245	Swissinder	275
6,050	5,000	Swiss Refine	5,750
1.975	1.705	Wolfsch	1,750
3,500	3,170	Union Bank	3,500
2,770	1,990	Wintthur	2,595
16,050	15,750	Zurich Ins	15,125

SOUTH AFRICA			
1980-81		Feb. 20	Price
High	Low		Amt. \$
3.85	2.85	Abercom	2,850
10.25	8.45	Esac	8,450
12.50	10.50	Anglo Am. Co.	10,500
146	80	Anglo Am. Gold	8,000
18.90	8.05	Ranger Rand	8,050
78	4.40	Am. Inv.	4,400
5.30	3.40	Com Invt	3,400
2.90	1.50	Gurrie Finance	1,500
135	65	De Beers	650
42	21.50	De Beers	21,500
100.50	47	FSB Secur	47,000
115	55	Field's SA	550
9.00	3.55	Hill's Steel	3,550
9.00	3.00	Ruties	3,000
7.00	3.00	Koof	3,000
9.00	3.00	SA Steel	3,000
20.00	12.50	OC Sazars	12,500
9.00	5.50	Proton Heds	5,500
8.10	5.50	Rennies	5,500
3.95	2.85	Rennies	2,850

17.5	1.145HAP	12.45	4.78	2.985A Bricks
0.47	1.175Brunswick Oil	0.28	19.25	0.405Smith OG Sugar
7.10	0.44CARA	4.60	8.70	0.405Serrao
0.28	0.24GSA	0.25	19.5	1.25Tiger Cuts
2.38	1.65CARA & Utz	2.95	2.00	1.50Unisc
0.28	0.28Castlemaine Tys.	0.50		
2.40	1.24Duff	0.25		
0.46	0.19D. Op. Opt.	0.34		
1.41	1.38Cockburn Cemt.	1.25		
1.30	1.20Coca Cola	0.60		
6.20	0.95Comisco	0.58		
10.00	0.90Comgold	3.60		
2.70	0.60Constain	2.60		
6.8	0.710Crusader oil	0.90		
1.40	0.710Duff	1.18		
0.28	0.28Duff & Smith OG	0.25		
0.85	0.95Endavour Res.	0.78		
4.70	0.95Engr Prop Trust	0.67		
0.2	0.25Hargreen Energy	0.60		
0.00	0.25HIC Aust.	2.78		
1.51	0.55HIC Aus.	0.50		
1.35	0.85Jennings	1.30		
1.20	0.70Jambou 25c	0.50		
1.61	0.95Jenons (D)	1.50		
0.90	0.70Jica Ora Gold	0.36		
0.56	0.85Jenons	0.50		
1.30	2.25MWF	0.40		
1.30	0.85Machorra Mt	7.30		
0.50	0.85Machorra Mt	0.50		
0.90	0.85Machorra Mt	0.46		
1.78	1.04Myer Emp	1.78		
0.50	2.25Nat Bank	0.50		
1.78	1.10New	1.78		
2.56	1.05Nehorin Int	2.56		
4.40	0.65North Hill	3.15		
0.90	1.65Oxbridge	0.90		
18.3	0.65Paco	2.95		
2.62	1.15Pan Pacific	0.28		
0.78	0.28Paco Pacific	0.28		
0.56	0.28Queen Mary G	0.56		
1.50	1.95Reich & Co.	2.75		
1.65	1.05Reich & Co.	17.50		
0.88	0.88Southland Mfg	0.88		
1.30	0.85Sogro Ecol	0.55		
1.30	0.85Sogro Ecol	0.55		

1.06	1.28	Urbani Mining	2.50
1.95	2.35	Vallant Corp.	0.98
1.78	2.55	Vanderbilt Ind.	1.63
6.78	5.55	Western Mining	4.72
5.85	1.70	Woodsdale Petrol.	2.60
4.25	2.75	Worldwide Ind.	1.94
4.25	2.75	Worldwide Ind.	1.10

SINGAPORE

1990-91 High Low		Feb. 30	Price \$
8.30	2.48	Bovestad Bhd.	0.28
8.30	2.48	Cold Storage	0.15
8.30	4.48	DDB	0.15
8.19	8.00	Frazer & Neave	5.40
8.19	2.15	Guthrie Bhd.	2.40
4.06	1.15	Incham Bid	0.40
17.5	7.95	Malay Banking	17.30
7.25	7.15	OCSB	0.65
18.9	1.75	OCSB	0.65
4.26	3.66	Siam Carbonyl	3.78
9.15	3.66	Saratoga Trdng	15.30
9.15	3.66	Saratoga Trdng	15.30

Investment Companies:
Bank Leumi Invest. 935
"Clal" Israel Invest. 7,250
Discount Invest. 927
Commercial and Industrial Alliance Tps & Rubber 4,470
Elex Int. 847
Amcar Finance Bkr. 351
"Ass" Tamlit 370
Agora Israeli Ppr. Mfin. 352
Assis 840
Teva Res. 1,025
Teva Res. 1,025

Fuel and Oil:
Delek 80
Fuel 80
Source: Bank Leumi Ltd.
Tel Aviv.

NOTES: Prices are in dollars quoted on the individual issues and "suspend" means suspended, or de-listed.

سکول

A copy of this Advertisement having attached thereto the statement of adjustments made by the reporting accountants in relation to the accounts comprised in their reports and giving their reasons therefor, together with the letters of consent and copies of the material contracts referred to herein have been delivered to the Registrar of Companies for registration.

This document includes particulars given in compliance with the Regulations of the Council of The Stock Exchange for the purpose of giving information with regard to the Company. The Directors have taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement herein whether of fact or of opinion. All the Directors accept responsibility accordingly.

Application has been made to the Council of The Stock Exchange for the admission to the Official List of the issued share capital of the Company.

Espley-Tyas Property Group

public limited company
(Incorporated in England No. 245255)



Authorised
£3,500,000

Share Capital
in 14,000,000 Ordinary Shares of 25p each

Issued and presently
to be issued fully paid
£1,773,573



At 31st January, 1981 the Group had outstanding £2,752,231 of secured borrowings, £160,143 of unsecured bank overdrafts or other indebtedness in the nature of borrowing, £269,000 of guarantee commitment and £7,026 of outstanding hire purchase commitments. Save as aforesaid, and disregarding inter-group liabilities, the Group did not have at that date any debentures or other loan capital outstanding, or created but unissued, or other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits, mortgages, charges, hire purchase commitments, or guarantees or other material contingent liabilities.

A placing by Carr, Seabag & Co. of 4,000,000 Ordinary Shares of 25p each at 75p per share

Directors
RONALD AUSTIN SHUCK (Chairman and Chief Executive)
Chadwick Grange, Chadwick Lane,
Knowle, Solihull, West Midlands B39 0IS
RONALD BRUCE LAMBON
Park Hall House, Salford Priors, Evesham WR11 5SQ
STANLEY TYAS
54 Mountford Close, Wellesbourne, Warwick CV35 9NH
ALEC HARRY EDWARDS
Byeways, 18 Worcester Road, Evesham, Worcestershire WR11 4JV
PAUL FRANCIS BOYDELL COOPER, C.A.
17 Hanley Drive, Kingston, Surrey KT2 7EB
RONALD WILLIAM AITKEN, F.C.A.
212 Ashley Gardens, Emery Hill Street, London SW1P 1PA
JOHN WHITTAKER
Great Hey Farm, Church Lane, Edenfield, Bury, Lancashire BLO 0QL
KENNETH ANKERS JONES, F.C.A., A.T.I.L.
Rivendell, 22 Green Park Close, Green Mount, Bury, Lancashire BL8 4QB

Secretary and Registered Office
THOMAS CRAIG STEVENSON, C.A.,
Park Hall, Salford Priors, Evesham WR11 5SQ
Auditors and Joint Reporting Accountants
COOPERS & LYBRAND,
Chartered Accountants, 43 Temple Row, Birmingham B2 5JT
Joint Reporting Accountants
CHALMERS, IMPEY & CO., Chartered Accountants, Edmund House,
12 Newhall Street, Birmingham B3 3EP

Bankers
BARCLAYS BANK LIMITED, 10 High Street, Solihull, West Midlands B91 3TE
and 26 Silver Street, Bury, Lancashire BL9 0JP
LLOYDS BANK LIMITED, 19 High Street, Evesham WR11 4DQ
NATIONAL WESTMINSTER BANK LIMITED,
218 Old Street, London EC1V 9DB

Stockbrokers
CARR, SEBAG & CO., Windsor House, 39 King Street,
London EC2V 8BA and The Stock Exchange

Solicitors
To the Company and the Placing:
ERIC LEVINE & CO., 63 Lincoln's Inn Fields, London WC2A 3LW
EVERSHED & TOMKINSON, 10 Newhall Street, Birmingham B3 3LX

Registrars and Transfer Office
KEYSER ULLMANN REGISTRARS LIMITED, North Wing, Bevis Marks House,
Goring Street, London EC3A 7HY

Definitions

The following definitions are used in this document—

Definition	Meaning
"the Company"	Espley-Tyas Property Group public limited company (formerly Clover Croft & State public limited company)
"Espley-Tyas"	Espley-Tyas Group Limited
"Espley-Tyas Group"	Espley-Tyas and its subsidiaries
"Espley-Manston"	Espley-Manston Limited
"Queen Street"	Queen Street Warehouse (Holdings) Limited
"Consult"	Consult Securities International Limited
"Chadwick"	Chadwick Estates Limited
"Chadwick Property"	Chadwick Property Development Company Limited
"Dehlan"	Dehlan Limited
"Drake"	Drake Limited
"Glenoaks"	Glenoaks Limited
"New Richmond"	The New Richmond Club, Limited
"the Consult Companies"	Chadwick, Consult Property, Dehlan, Drake, Glenoaks and New Richmond
"Manston"	Manston (Contractors) Limited

Definition	Meaning
"Somersdale"	Somersdale Limited
"Carr Seabag"	Carr, Seabag & Co.
"Belle Vue"	The Belle Vue Amusement Park, Manchester
"Wakefield 41"	Wakefield 41 Yorkshire Science Centre, Wakefield, West Yorkshire
"the Property Acquisition Agreements"	The Agreements dated 19th June, 1980 (as varied by three sets of Supplemental Agreements dated 28th August and 7th November, 1980 and 28th January, 1981) under which Queen Street agreed to acquire the issued share capital of Dehlan, Drake and Glenoaks.
"the Queen Street Agreement"	The Agreement dated 28th August, 1980 (as varied by a Supplemental Agreement dated 28th January, 1981) under which the Company agreed to acquire Consult's controlling shareholding in Queen Street, the issued share capital of Chadwick and Consult Property and to make an offer for the balance of the Queen Street shares.
"the Espley-Tyas Agreement"	The Agreement dated 28th August, 1980 (as varied by a Supplemental Agreement dated 28th January, 1981) under which the Company agreed to make an offer to acquire the issued share capital of Espley-Tyas.

Definition	Meaning
"the Belle Vue Agreement"	The Agreement dated 28th January, 1981 under which the Company, conditional upon the grant of planning permission, agreed to acquire for redevelopment the freehold of Belle Vue.
"the Espley-Manston Participation Agreement"	The Agreement dated 5th December, 1980 regulating the rights and obligations of the shareholders of Espley-Manston.
"the Espley-Manston Agreement"	The Agreement dated 28th January, 1981 under which the Company agreed to acquire Consult's holding of 14 Ordinary Shares of Espley-Manston and to assume the benefits and obligations derived by Consult under the Espley-Manston Participation Agreement.
"the Eastleigh Agreement"	The Agreement dated 11th December, 1980 for the acquisition of a 5.1 acre freehold development site in Eastleigh, Hampshire.
"the Placing Agreement"	The Agreement dated 20th February, 1981 under which Carr Seabag agreed to subscribe for 2,415,350 Ordinary Shares of the Company and to acquire 1,584,650 Ordinary Shares.
"the Group"	The Company and its subsidiaries after implementation of the Property Acquisition Agreements, the Queen Street Agreement, the Espley-Tyas Agreement and the Espley-Manston Agreement.

The following is a copy of a letter to Carr Seabag from Mr. Ronald A. Shuck, Chairman of the Company—
Carr, Seabag & Co.,
Windsor House,
39 King Street,
London EC2V 8BA,
Gentlemen,
20th February, 1981

In connection with the Placing of 4,000,000 Ordinary Shares of the Company I have pleasure in providing you with the following information—

1. Introduction

The activities of the Group fall into two basic areas, property development and construction. The property development activities comprise various projects which I have undertaken in recent years. My involvement in property began in 1961. In 1972 I was Chairman and Managing Director of Cornwall Property (Holdings) Limited, a property company whose shares were listed on The Stock Exchange and which was sold in late 1973 for some £28 million. Since that time I have continued my involvement in property development and now intend to devote my energies in the property field and channel all my property interests in the United Kingdom through the Group, subject to the exception of certain existing developments where either the minority interests in them or the stage of their development make it inappropriate for them to be brought into the Group. These developments should be completed within 2 years.

The Espley-Tyas Group is long established and forms the construction interests of the Group. It has completed a number of property developments which are held for investment.

More recently the Company has started to build up a portfolio of major property development opportunities, namely—

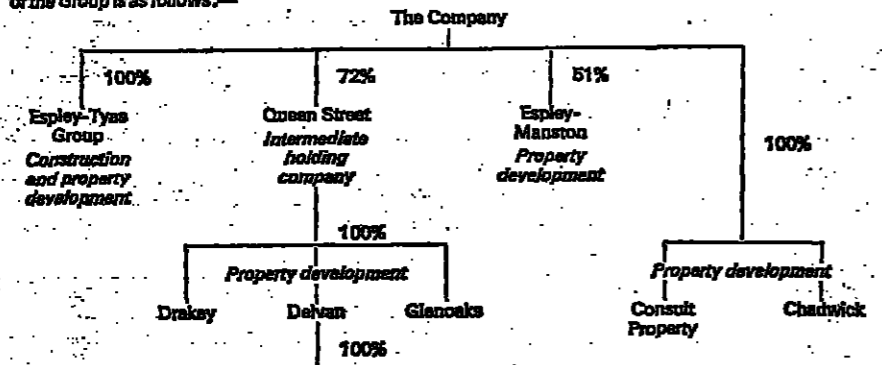
the 55 acre Belle Vue site, which it has agreed to acquire subject to planning permission being obtained for leisure, shopping, exhibition hall, industrial and residential uses; and

the 245 acre Wakefield 41 industrial park, which is to be developed in stages through the Company's 51 per cent subsidiary, Espley-Manston.

2. Background

The original business of the Company was closed in the financial year ended 31st March, 1980 and the assets sold, resulting in a cash surplus of approximately £556,000.

On 20th February, 1981 the Company completed certain acquisitions as a result of which the composition of the Group is as follows—



Further information relating to the history of the Group is given in Appendix 1. Financial information is given in Appendix 11.

3. Business

Property development

The following are the current development projects—

Richmond, Surrey

The New Richmond Club is a 1.38 acre freehold development site fronting the River Thames with planning permission for a mixed development comprising a 8,500 square foot (net lettable space) office block and 12 luxury residences overlooking the River. It is proposed to fund the office development with an institution and sell the residential element. The site has been valued by James Aitken & Partners, Consultant Surveyors, at £850,000.

West Bromwich, West Midlands

The development comprises a 6.5 acre freehold industrial site which is prelet to George Sator & Company Limited and forward sold to Co-operative Insurance Society Limited. The development will be completed in March, 1981 and the anticipated share in the development profit is £400,000.

High Street, Stourbridge

This is a vacant freehold site with planning permission for a shopping parade, which has been valued by Widdowson & Co., Chartered Surveyors, at £250,000. Shopping is expected to commence shortly and will be financed out of Group resources.

Valton Road, Sheffield

The staged development of this 6.4 acre freehold site for light industry and warehousing has already commenced. The land has been forward sold to Pension Funds Securities Limited and the participation in the development profit is anticipated to be £500,000.

Lichfield, Birmingham

This is a freehold development site of approximately 0.4 acres for which there is planning permission for offices and showrooms. It has been valued by Brown, Hayward & Partners, Chartered Surveyors, at £150,000. It is intended to fund the development with an institution.

High Street, Banbury

This is a vacant freehold shop and office property acquired in December 1980 for £165,000 which has been valued by Widdowson & Co. at £150,000.

Worcester Close, Birmingham

Victory Close comprises 8 long leasehold blocks of flats, which have been valued by Brown, Hayward & Partners at £750,000. A programme for the sale of the individual flats to sitting tenants, or as they become vacant is underway.

Copies of the relevant valuation certificates are set out in Appendix IV.

The following are the new development projects—

Belle Vue

The Company has agreed to purchase the 55 acre freehold site of Belle Vue from Entain Leisure Limited at a price of £2.2 million, subject to planning consent being obtained for a change from the present use to leisure, shopping, exhibition hall, industrial and residential uses.

It is intended to sell the residential element and undertake the remainder of the development for which institutional finance will be sought.

Wakefield 41

Wakefield 41 is a 245 acre freehold industrial park situated at junction 41 of the M1 motorway and within 3 miles of the M62. Outline planning permission has been obtained in respect of 204 acres and the entire project, which is anticipated to span seven years, will comprise approximately 4 million square feet of lettable space.

Work has commenced on the first phase, in respect of which International Sports Company Limited, a subsidiary of Dunlop Limited, has agreed to lease 60,000 square feet for a term of 25 years at a commencing rental of £120,000 per annum with five year upward reviews. The same company is also currently negotiating to take an additional 55,000 square feet of warehouse space and 6,000 square feet of offices.

The funding of the first three phases extending to approximately 28 acres and providing 500,000 square feet of lettable space, including the letting to International Sports Company Limited, is to be provided by Co-operative Insurance Society Limited on the basis of a sale and leaseback of the land and the provision of development finance.

Simon Houston & Partners, Chartered Surveyors, have valued the site reflecting the funding arrangements at £8 million. A copy of the valuation certificate is set out in Appendix IV.

The development of Wakefield 41 is the principal activity of Espley-Manston, which is a 51 per cent subsidiary of the Company. The remainder of the share capital is owned, directly or indirectly, as to 20 per cent by two of the Manston directors, namely Mr. P. Gilman and Mr. B. Gregory and as to 29 per cent by Somersdale, an independent private investment company unconnected with either me or the Company. Somersdale is responsible for providing a facility of up to £3.7 million for the acquisition of the site and its improvement. Manston, which is part of an independent construction group operating in the Leeds area, is to serve as the main contractor on a predetermined cost basis. The Company will co-ordinate and manage the development but has neither committed funds to the acquisition of the property or its development nor is it obliged to do so.

The history of Espley-Manston is set out in Appendix I and the principal rights and obligations of the Espley-Manston shareholders *inter se* and their respective involvements in Espley-Manston are set out in paragraph 8 of Appendix V under the heading "Statutory and general information".

Eastleigh, Southampton

The Company has acquired a vacant freehold site of 5.1 acres with outline planning consent for a 110,000 square foot retail and industrial development. The site is close to the new exit from the M27 leading to the Port of Southampton. Negotiations have commenced for the institutional funding of the development.

Construction

The Espley-Tyas Group has a reputation for high quality building and completion on time. Over the years separate subsidiaries have been incorporated to undertake specialist activities related to the construction industry. The Espley-Tyas Group offers a comprehensive range of services both as main contractor and as specialist subcontractors. Notable projects in recent years include the maximum security prison at Long Lartin, the Fire Services' National Technical College at Mornton-in-Marsh, the Hereford and Worcester County Council Headquarters at Worcester, an office and warehouse complex for Halfords Limited at Redditch New Town and an office block in Hereford for H. P. Bulmer Limited. Turnover for the year ended 30th September, 1980 was approximately £365 million, of which 69 per cent was public sector work and 31 per cent private sector.

For the year ended 30th September, 1980 the Espley-Tyas Group made a net profit of £508,000 before providing for losses of its Cardiff-based contracting subsidiary, John Morgan (Construction) Limited, which (after making full provision for known and anticipated losses) amounted to £1.8 million. These losses mainly arose out of five contracts, of which two have been completed and the remainder are programmed for completion by April 1981. During the course of the contracts it became clear that they had been materially under-priced. The subsidiary has been placed under the direct control of the Espley-Tyas construction management, tendering methods, management and policy have been changed.

At this time work outstanding under existing contracts amounts to £28 million which includes firm contracts for National Defence establishments, the Telecommunications Division of the Post Office Corporation, the British Broadcasting Corporation, Littlewoods Mail Order Stores Limited and J. Sainsbury & Co. Limited.

Property investment

The Espley-Tyas Group undertook its first office development in 1971 at 280/284 Castle Street, Dudley and has since completed a number of property developments which are now held as investments. These and other Espley-Tyas Group properties have a gross value of £2.4 million; the principal properties are more particularly described in paragraph 7 under the heading "Properties of the Group".

Retailing

Espley's Do-It-Yourself Limited, an Espley-Tyas wholly-owned subsidiary, operates a retail D.I.Y. shop in a prime location in High Street, Evesham, as part of the Espley shopping precinct.

Management and Staff

The business of the Group is conducted by the Executive Directors who comprise: myself (43), the Group Chairman and Chief Executive; I am a structural engineer with many years' experience as Executive Chairman of property and industrial companies, both public and private; I am also the Executive Chairman of London & Liverpool Trust Limited, a listed industrial holding company. Mr. R. B. Lambon (60), the Chairman and Chief Executive of the Espley-Tyas Group with whom he has served as executive director for 28 years. Mr. S. Tyas (87), one of the founders of the "Coleman and Tyas" construction business, has been in the building industry since 1947.

Mr. A. H. Edwards (62), the Managing Director of the Espley-Tyas construction division, has served the Espley-Tyas Group as executive director for 12 years.

Mr. P. F. E. Cooper (50), the Finance Director, has been a financial controller for 10 years, the last two as a Director of Queen Street. Prior to this he held senior financial positions with the Alcan group of companies for 12 years in Canada and England. He also qualified as a barrister.

The Executive Directors other than Mr. Tyas and Mr. Cooper have entered into Service Agreements the details of which are given in paragraph F of Appendix V.

There are 3 non-executive Directors: Mr. R. W. Alden (47), formerly a senior partner of Binder Hamlyn, Chartered Accountants, and now a director of a number of listed and private companies. He is Chairman of Barker & Dobson Group Limited, Knick Holdings Limited and Poverman Holdings Limited and Joint Chairman of Balhavan Brewery Group Limited.

Mr. J. Whittaker (38), the Chairman of a number of companies in the textile and property fields.

Mr. K. A. Jones (43), a chartered accountant in private practice.

The separate activities of the Group are directed by ten experienced executives the details of whose qualifications and responsibilities are also given in paragraph F of Appendix V.

The Group has 820 full-time employees of whom 806 are engaged in construction and the remainder in administration and property development. Staff relations throughout the Group have always been good.

Directors' Interests

The interests, all beneficial, of the Directors in the share capital of the Company, following completion of the placing arrangements described in paragraph 11 below, will be as follows—

	Ordinary Shares of 25p each	Percentage of issued share capital
Myself	1,482,571	20.1
R. B. Lambon	372,442	5.1
S. Tyas	21,183	0.3
A. H. Edwards	3,582	0.1
J. Whittaker	3,000	0.1

Save as indicated below no other Directors have any such interest in the share capital of the Company. My own shareholding, which includes that of Consult, will increase upon the issue of the deferred consideration under the Queen Street and Espley-Manston Agreements. The maximum deferred consideration amounts to 4,414,496 Ordinary Shares which, if issued, would increase my total shareholding to 5,877,367 Ordinary Shares (50.3 per cent assuming no other issues of shares).

The Directors are not aware of any other holding which exceeds 5 per cent of the issued share capital. Ronnie Aitken & Associates, which is owned by Mr. Aitken, has an option exercisable over 12 months from 26th August, 1980, to acquire 21,428 Ordinary Shares of the Company from Consult at a price of £15,000. The total elements of the then Directors of the Company for the 12-month period ended 31st March, 1980 were £4,900. Under the above-mentioned option the aggregate emoluments of the Directors of the Company on an annual basis will be £113,250, subject to annual review.

6. Pro forma balance sheets of the Group

The following assumptions have been made in preparing the pro forma balance sheets of the Group: (1) implementation of the Property Acquisition Agreements, the Queen Street Agreement, the Espley-Tyas Agreement and the Espley-Manston Agreement; and

(2) acceptance by all the shareholders of Espley-Tyas and Queen Street of the offer for their shares.

The pro forma balance sheet (column A) is based on the audited accounts of the constituent companies as at 30th September, 1980 with the exception of the Company and Queen Street where draft accounts have been used, since audited accounts have not been produced since 31st March and 6th February, 1980 respectively. Acquisitions of property and the placing of shares subsequent to 30th September, 1980 referred to in these Particulars have been included. Any deferred consideration due under the above-mentioned Agreements has been ignored since this is dependent upon values to be attained at some future date.

The adjusted pro forma balance sheet (column B) includes properties held for development and projects under development at the amounts at which they have been currently professionally re-valued after allowing for a deferred tax arising on such re-valuation surpluses and after taking into account any deferred consideration which would arise consequent upon such valuations (as to which see paragraph E of Appendix V).

	A	B
	£'000	£'000
Fixed assets		
Investment in associated company	1,771	1,771
Properties held for investment	1,519	1,519
Properties held for and projects under development	10,650	13,387
Current assets		
Stock and work in progress	3,155	3,155
Debtors	844	844
Cash	1,806	1,806
	5,805	5,805
	20,056	23,392
Current liabilities		
Creditors	4,610	4,610
Balance payable on purchase of Belle Vue and Eastleigh	3,100	3,100
Amounts due to related companies	34	34
Amount due to Consult	477	477
Bank overdrafts	1,464	1,464
Loans	533	533
	10,268	10,268
	£9,787	£13,124
Share Capital		
Ordinary Shares of 25p each	1,816	1,835
Share premium	2,711	2,746
Reserves	859	1,287
	5,386	5,868
Deferred taxation		
Minority interests	365	365
Long term loans	689	1,100
	3,2-7	3,347
	£9,787	£13,124
Net asset value per share	74.2p	75.4p

7. Properties of the Group

In addition to the properties held for development which are described in paragraph 3, the Group has other properties which it occupies or which, being completed developments, are held for investment.

A. Properties held for investment

The following are the principal investment properties, all freehold, held by the Group—

White Lion Walk Development, Banbury, Oxfordshire

The property comprises the White Lion Hotel, offices and 14 shop units. The hotel is let for a term of 35 years from 26th March, 1976 at an annual rent of £10,000, the offices for a term of 25 years from 24th June, 1976 at an annual rent of £4,000 both with upward reviews every 5 years. The shop units are let for terms of 25 years commencing mainly in 1978 and 1977 at an aggregate rent of £58,000 p.a. with upward reviews every 5 years and in the case of one unit also in the third and fourth years. The majority of the first rent reviews take place in 1981 and 1982. The property has been valued by Widdowson & Co. at £285,000.

Espley Shopping Precinct, 58/52 High Street, Evesham

The property comprises 6 shop units, a supermarket and 6 office suites. The shops are let for varying terms from 5 to 21 years with upward rent reviews mainly every 3 years. The supermarket is let on an annual basis and the offices for varying terms from 4 to 14 years. The present total annual rent is £20,376. The property has been valued by Widdowson & Co. at £400,000.

Salford House, New Street, Stourport-on-Severn

The property comprises a three-storey office block, each floor separately let for a term of 25 years with five year upward rent reviews at a present total annual rent of £13,753. It has been valued by Widdowson & Co. at £175,000.

83-105 Lower Lichfield Road, Stourport-on-Severn

The property comprises 4 shop units, a supermarket and 7 flats. The shops are let as units for terms of 25 years with upward rent reviews. The total present annual rent is £21,215. The property has been valued by Widdowson & Co. at £385,000.

Further details of the properties and the lettings are given in the valuation certificates which are set out in Appendix IV.

B. Properties occupied

The following are the principal properties occupied by the Group—

Park Hall, Salford Priors, Evesham

The freehold property comprises Park Hall, a three-storey building used as offices and Park Hall House, a private residence, which is let to Mr. R. B. Lambon for the currency of his directorship at a low rental. The property has been valued by Widdowson & Co. at £300,000.

Pitcher, Evesham

The freehold property comprises offices, builder's yard, industrial buildings, agricultural land and a cottage. The cottage is let on a regulated tenancy. The property has been valued by Widdowson & Co. at £280,000.

CRANE FRUEHAUF
HOLMES VEHICLE
RECOVERY EQUIPMENT
SERVICING TO THE
INDUSTRY
COMPANIES LIMITED
100, Green, Dorking,
Surrey, GU24 0NF

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Stock	Price	Yield	Div
10. 100 Treasury 1981-82	99.50	12.50	12.50
11. 100 Treasury 1982-83	99.50	12.50	12.50
12. 100 Treasury 1983-84	99.50	12.50	12.50
13. 100 Treasury 1984-85	99.50	12.50	12.50
14. 100 Treasury 1985-86	99.50	12.50	12.50
15. 100 Treasury 1986-87	99.50	12.50	12.50
16. 100 Treasury 1987-88	99.50	12.50	12.50
17. 100 Treasury 1988-89	99.50	12.50	12.50
18. 100 Treasury 1989-90	99.50	12.50	12.50
19. 100 Treasury 1990-91	99.50	12.50	12.50
20. 100 Treasury 1991-92	99.50	12.50	12.50
21. 100 Treasury 1992-93	99.50	12.50	12.50
22. 100 Treasury 1993-94	99.50	12.50	12.50
23. 100 Treasury 1994-95	99.50	12.50	12.50
24. 100 Treasury 1995-96	99.50	12.50	12.50
25. 100 Treasury 1996-97	99.50	12.50	12.50
26. 100 Treasury 1997-98	99.50	12.50	12.50
27. 100 Treasury 1998-99	99.50	12.50	12.50
28. 100 Treasury 1999-00	99.50	12.50	12.50
29. 100 Treasury 2000-01	99.50	12.50	12.50
30. 100 Treasury 2001-02	99.50	12.50	12.50

Five to Fifteen Years

Stock	Price	Yield	Div
10. 100 Treasury 1981-82	99.50	12.50	12.50
11. 100 Treasury 1982-83	99.50	12.50	12.50
12. 100 Treasury 1983-84	99.50	12.50	12.50
13. 100 Treasury 1984-85	99.50	12.50	12.50
14. 100 Treasury 1985-86	99.50	12.50	12.50
15. 100 Treasury 1986-87	99.50	12.50	12.50
16. 100 Treasury 1987-88	99.50	12.50	12.50
17. 100 Treasury 1988-89	99.50	12.50	12.50
18. 100 Treasury 1989-90	99.50	12.50	12.50
19. 100 Treasury 1990-91	99.50	12.50	12.50
20. 100 Treasury 1991-92	99.50	12.50	12.50
21. 100 Treasury 1992-93	99.50	12.50	12.50
22. 100 Treasury 1993-94	99.50	12.50	12.50
23. 100 Treasury 1994-95	99.50	12.50	12.50
24. 100 Treasury 1995-96	99.50	12.50	12.50
25. 100 Treasury 1996-97	99.50	12.50	12.50
26. 100 Treasury 1997-98	99.50	12.50	12.50
27. 100 Treasury 1998-99	99.50	12.50	12.50
28. 100 Treasury 1999-00	99.50	12.50	12.50
29. 100 Treasury 2000-01	99.50	12.50	12.50
30. 100 Treasury 2001-02	99.50	12.50	12.50

Over Fifteen Years

Stock	Price	Yield	Div
10. 100 Treasury 1981-82	99.50	12.50	12.50
11. 100 Treasury 1982-83	99.50	12.50	12.50
12. 100 Treasury 1983-84	99.50	12.50	12.50
13. 100 Treasury 1984-85	99.50	12.50	12.50
14. 100 Treasury 1985-86	99.50	12.50	12.50
15. 100 Treasury 1986-87	99.50	12.50	12.50
16. 100 Treasury 1987-88	99.50	12.50	12.50
17. 100 Treasury 1988-89	99.50	12.50	12.50
18. 100 Treasury 1989-90	99.50	12.50	12.50
19. 100 Treasury 1990-91	99.50	12.50	12.50
20. 100 Treasury 1991-92	99.50	12.50	12.50
21. 100 Treasury 1992-93	99.50	12.50	12.50
22. 100 Treasury 1993-94	99.50	12.50	12.50
23. 100 Treasury 1994-95	99.50	12.50	12.50
24. 100 Treasury 1995-96	99.50	12.50	12.50
25. 100 Treasury 1996-97	99.50	12.50	12.50
26. 100 Treasury 1997-98	99.50	12.50	12.50
27. 100 Treasury 1998-99	99.50	12.50	12.50
28. 100 Treasury 1999-00	99.50	12.50	12.50
29. 100 Treasury 2000-01	99.50	12.50	12.50
30. 100 Treasury 2001-02	99.50	12.50	12.50

Undated

Stock	Price	Yield	Div
10. 100 Treasury 1981-82	99.50	12.50	12.50
11. 100 Treasury 1982-83	99.50	12.50	12.50
12. 100 Treasury 1983-84	99.50	12.50	12.50
13. 100 Treasury 1984-85	99.50	12.50	12.50
14. 100 Treasury 1985-86	99.50	12.50	12.50
15. 100 Treasury 1986-87	99.50	12.50	12.50
16. 100 Treasury 1987-88	99.50	12.50	12.50
17. 100 Treasury 1988-89	99.50	12.50	12.50
18. 100 Treasury 1989-90	99.50	12.50	12.50
19. 100 Treasury 1990-91	99.50	12.50	12.50
20. 100 Treasury 1991-92	99.50	12.50	12.50
21. 100 Treasury 1992-93	99.50	12.50	12.50
22. 100 Treasury 1993-94	99.50	12.50	12.50
23. 100 Treasury 1994-95	99.50	12.50	12.50
24. 100 Treasury 1995-96	99.50	12.50	12.50
25. 100 Treasury 1996-97	99.50	12.50	12.50
26. 100 Treasury 1997-98	99.50	12.50	12.50
27. 100 Treasury 1998-99	99.50	12.50	12.50
28. 100 Treasury 1999-00	99.50	12.50	12.50
29. 100 Treasury 2000-01	99.50	12.50	12.50
30. 100 Treasury 2001-02	99.50	12.50	12.50

INTERNATIONAL BANK

Stock	Price	Yield	Div
10. 100 Treasury 1981-82	99.50	12.50	12.50
11. 100 Treasury 1982-83	99.50	12.50	12.50
12. 100 Treasury 1983-84	99.50	12.50	12.50
13. 100 Treasury 1984-85	99.50	12.50	12.50
14. 100 Treasury 1985-86	99.50	12.50	12.50
15. 100 Treasury 1986-87	99.50	12.50	12.50
16. 100 Treasury 1987-88	99.50	12.50	12.50
17. 100 Treasury 1988-89	99.50	12.50	12.50
18. 100 Treasury 1989-90	99.50	12.50	12.50
19. 100 Treasury 1990-91	99.50	12.50	12.50
20. 100 Treasury 1991-92	99.50	12.50	12.50
21. 100 Treasury 1992-93	99.50	12.50	12.50
22. 100 Treasury 1993-94	99.50	12.50	12.50
23. 100 Treasury 1994-95	99.50	12.50	12.50
24. 100 Treasury 1995-96	99.50	12.50	12.50
25. 100 Treasury 1996-97	99.50	12.50	12.50
26. 100 Treasury 1997-98	99.50	12.50	12.50
27. 100 Treasury 1998-99	99.50	12.50	12.50
28. 100 Treasury 1999-00	99.50	12.50	12.50
29. 100 Treasury 2000-01	99.50	12.50	12.50
30. 100 Treasury 2001-02	99.50	12.50	12.50

CORPORATION LOANS

Stock	Price	Yield	Div
10. 100 Treasury 1981-82	99.50	12.50	12.50
11. 100 Treasury 1982-83	99.50	12.50	12.50
12. 100 Treasury 1983-84	99.50	12.50	12.50
13. 100 Treasury 1984-85	99.50	12.50	12.50
14. 100 Treasury 1985-86	99.50	12.50	12.50
15. 100 Treasury 1986-87	99.50	12.50	12.50
16. 100 Treasury 1987-88	99.50	12.50	12.50
17. 100 Treasury 1988-89	99.50	12.50	12.50
18. 100 Treasury 1989-90	99.50	12.50	12.50
19. 100 Treasury 1990-91	99.50	12.50	12.50
20. 100 Treasury 1991-92	99.50	12.50	12.50
21. 100 Treasury 1992-93	99.50	12.50	12.50
22. 100 Treasury 1993-94	99.50	12.50	12.50
23. 100 Treasury 1994-95	99.50	12.50	12.50
24. 100 Treasury 1995-96	99.50	12.50	12.50
25. 100 Treasury 1996-97	99.50	12.50	12.50
26. 100 Treasury 1997-98	99.50	12.50	12.50
27. 100 Treasury 1998-99	99.50	12.50	12.50
28. 100 Treasury 1999-00	99.50	12.50	12.50
29. 100 Treasury 2000-01	99.50	12.50	12.50
30. 100 Treasury 2001-02	99.50	12.50	12.50

COMMONWEALTH AND AFRICAN LOANS

Stock	Price	Yield	Div
10. 100 Treasury 1981-82	99.50	12.50	12.50
11. 100 Treasury 1982-83	99.50	12.50	12.50
12. 100 Treasury 1983-84	99.50	12.50	12.50
13. 100 Treasury 1984-85	99.50	12.50	12.50
14. 100 Treasury 1985-86	99.50	12.50	12.50
15. 100 Treasury 1986-87	99.50	12.50	12.50
16. 100 Treasury 1987-88	99.50	12.50	12.50
17. 100 Treasury 1988-89	99.50	12.50	12.50
18. 100 Treasury 1989-90	99.50	12.50	12.50
19. 100 Treasury 1990-91	99.50	12.50	12.50
20. 100 Treasury 1991-92	99.50	12.50	12.50
21. 100 Treasury 1992-93	99.50	12.50	12.50
22. 100 Treasury 1993-94	99.50	12.50	12.50
23. 100 Treasury 1994-95	99.50	12.50	12.50
24. 100 Treasury 1995-96	99.50	12.50	12.50
25. 100 Treasury 1996-97	99.50	12.50	12.50
26. 100 Treasury 1997-98	99.50	12.50	12.50
27. 100 Treasury 1998-99	99.50	12.50	12.50
28. 100 Treasury 1999-00	99.50	12.50	12.50
29. 100 Treasury 2000-01	99.50	12.50	12.50
30. 100 Treasury 2001-02	99.50	12.50	12.50

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LOANS

Interest Due	Stock	Price	Last	Int.	Yield
Public Stock and Ind.					
100	100 Apr. 100 Sp. 99.90	63	117	8.02	12.50
100	100 Alcan 100 Sp. 99.94	78	107	15.17	12.50
100	100 Met. W. 100 Sp. 99.94	28	100	12.50	12.50
100	100 U.S.M. 100 Sp. 99.92	10	141	1.88	12.50
100	100 D. without 100 Sp. 99.94	10	141	2.73	12.50
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